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ABSTRACT

Classroom strategies for examining American history in light of business issues are described. Designed to be used selectively by teachers in the 11th grade social studies classroom, the materials are presented in fieldtest condition to allow for modifications and substitutions in response to feedback from teachers and students. The eight modules presented are: (1) private enterprise in the market place; (2) empire building; (3) the development of United States industry; (4) the petroleum industry in the United States 1920-60; (5) multinational corporations; (6) the impact of empire building; (7) subsidizing and regulating: controlling the economy; and (8) selling the consumer. Format of the modules varies, but generally includes an introduction to the topic, listing of objectives, directions for carrying out suggested activities, and suggestions for establishing a set of basic generalizations about the topic. Background essays, data sheets, tables, charts, discussion questions, teachers guides, and transparencies are included as needed. The wide variety of suggested activities includes simulation games, class discussion, student readings, data analysis by individuals and groups, class reports, role playing, class visitations, debates, case study approaches, and a class play. An evaluation form and appendices containing additional information for teachers are included. (Author/DB)

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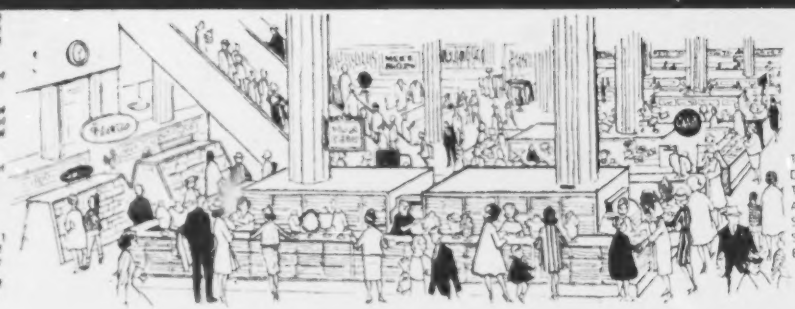

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SP 010 057

MATERIALS FOR USING AMERICAN ISSUES FORUM IN THE AMERICAN HISTORY CLASSROOM

TOPIC VI: THE BUSINESS OF AMERICA

Developed with a grant from

THE NATIONAL ENDOWMENT FOR THE HUMANITIES

The University of The State of New York
THE STATE EDUCATION DEPARTMENT
Bureau of General Education Curriculum Development
Albany, New York 12234
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FOREWORD

The modules for *The Business of America* included in this publication have been produced in consonance with the program of the American Issues Forum under a grant from the National Endowment for the Humanities. The classroom strategies are intended to provide suggestions for examining American history in the light of the issues identified by the national committee which proposed the American Issues Forum. In view of the topical nature of the 11th grade social studies program, this can be done without seriously disrupting most teaching programs.

The materials are in fieldtest condition, so that classes and teachers may provide input concerning learning experiences which prove to be most useful. Some assessment of each strategy used by some or all of the students, and suggestions of modifications or substitutions will help the Department produce a final set of strategies which will carry the themes of the American Issues Forum into the future, as we look beyond the Bicentennial Year.

Teachers will find that the teaching strategies relate most closely to understandings concerning business in America, including private enterprise and regulating the economy, in Topic III, American Economic Life, in the syllabus for Social Studies 11, *American History*.

The Evaluation Form appears on page iv.

Professor John Youngers, Director, Center on Economic Education, State University College of New York at Geneseo, developed these materials in cooperation with his associates at the Center. Donald H. Bragaw, Chief, Bureau of Social Studies Education, is coordinating the project. The manuscript was prepared for publication by Janet M. Gilbert, Associate in Curriculum Development.

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EVALUATION FORM FOR
THE BUSINESS OF AMERICA

Please return this form to the Bureau of General Education Curriculum Development, The State Education Department, Albany, New York 12234

1. Classroom strategies used (list by pages)

2. How many students were involved in using this material?

3. Were the reading passages/statistical materials/graphics within the comprehension level of most of the students using them? (list by pages and andicate how satisfactory each was, if a single answer does not apply)

4. Were the suggested questions, and/or the learning strategies interesting and helpful to students in reaching the understandings or developing the desired concepts? (list by pages and indicate how satisfactory each was, if a single answer does not apply)

5. Please suggest substitutions of readings/statistics/graphics which you think would be more appropriate.

6. Please suggest modifications of the learning strategies to make them more effective for more students.

Send descriptions of learning strategies, with references to reading passages, etc., which you have found effective in teaching these same understandings or concepts.

Your signature and school identification is optional; we'd like to give you credit if we use any of your ideas!

PRIVATE ENTERPRISE IN THE MARKET PLACE

Introduction:

This module is designed as a supplement for a curriculum in American history. It contains:

- An introduction to the market system and a consideration of the alternatives to making decisions by market mechanisms.
- A series of activities and strategies designed to measure the extent of market forces operating at any given point in American History.
- A strategy based on a committee system that will enable your class to update its investigation of how economic decisions are made in the United States without requiring a full classroom set of the materials.

An Essay: Private Enterprise in the Market Place?*

The problem is well known to students of economics. Resources available are inadequate to satisfy all mankind's wants. Economists call this condition scarcity. To meet all his needs, and almost limitless wants, man has available land (natural resources), labor, and capital goods used to create new wealth such as seeds, tools, machines, and buildings.

It is unlikely that any large group of people has ever had all they wanted or needed of these resources, but they have had relative abundance or scarcity of one or more of the factors of production (land, labor, or capital). This condition of relative scarcity has been and still is a major factor in shaping human experiences.

Given the fact of the relative scarcity of the resources, mankind is forced to make difficult choices about the use of those limited factors of production. Societies have organized economic systems to answer the difficult questions of:

- What to produce.
- How to combine the resources to produce what is wanted.
- For whom to produce the goods.

The manner of answering these questions is generally grouped into three categories or economic systems:

The oldest and most prevalent way of solving these problems has been tradition. Procedures for the production and distribution of goods were devised in the past. Law, custom and belief dominated economic decision-making. You studied such societies in your ninth and tenth grade social studies courses.

A second manner of answering the three economic questions is command, or answers imposed by some authority, usually government. Again you are familiar with societies that are essentially command from your earlier

*This may be reproduced for student reading.

social studies courses. It is important to remember that democratic societies also make some decisions by command.

The third way to organize the economic decision-making of a society is a market-system. Each person is free to pursue the economic activities that he wishes in a market system, but he is in large part controlled by the price he is willing to pay or receive for his goods and services. If, for example, he is making gloves, but society has little demand for gloves, they will buy very few and the producer will fail to prosper.[1] If the demand for shoes is then greater than the supply of shoes at the current price level, the producers of shoes can increase their prices and profits. In the market model self-interest will cause labor,[2] new materials, and capital to be drawn from less profitable pursuits, such as glove-making to the production of shoes. The result of this shift in the factors of production would be greater output of shoes, greater competition, and lower prices. In the market model each person pursues his own self-interest but society directs his activities by rewarding him for doing what is needed. Consumer response is the coordinating device for the millions of individual decisions of willing buyers and sellers in a market system.

Applying your Understanding:

1. Give examples from your study of the past, or from your knowledge of current affairs, of societies that are essentially traditional, command, or market in their method of decision making.
2. Consider these possible alternatives to letting the market determine how many gloves will be produced and bought:

   - The Glove-Producers Institute hires an advertising agency to promote glove sales. The ad agency launches a campaign that shows celebrities' gloves but no shoes. The campaign stresses the idea that glove wearing is healthful and the "in-thing" for gracious living.
   - The Glove-Producers Legislative Specialist asks the law makers to: exempt glove manufacturing from all tax laws so that they could reduce their prices, to pass a law providing "glove stamps" that would enable people with lower incomes to obtain gloves and to place an excise tax on shoes. How is the market being modified in each case?

3. Suppose glove manufacturing has been traditionally women's work and shoe manufacturing has been traditionally men's work. How readily will the labor supply transfer from one industry to the other?
4. In groups of three to five, or for homework, decide how each of the three model systems (market, command, traditional) would deal with the following situations. (Be prepared to share and explain your conclusions with the class.)

   - The nation needs additional energy sources and it must choose between importing more oil, strip mining coal and shale-oil, and wind energy.

[1]See question 2, below.
[2]See question 3, below.

- A valuable section of land is desired for several competing uses, an industrial site, a recreation area, food production, and housing.
- An army is needed to fight a nasty, unpopular foreign war.
- How would each society decide on who would get the following scarce resources:
  - The best medical care?
  - The best education?
- How would each system care for its disabled, the orphaned, aged and other needy members?

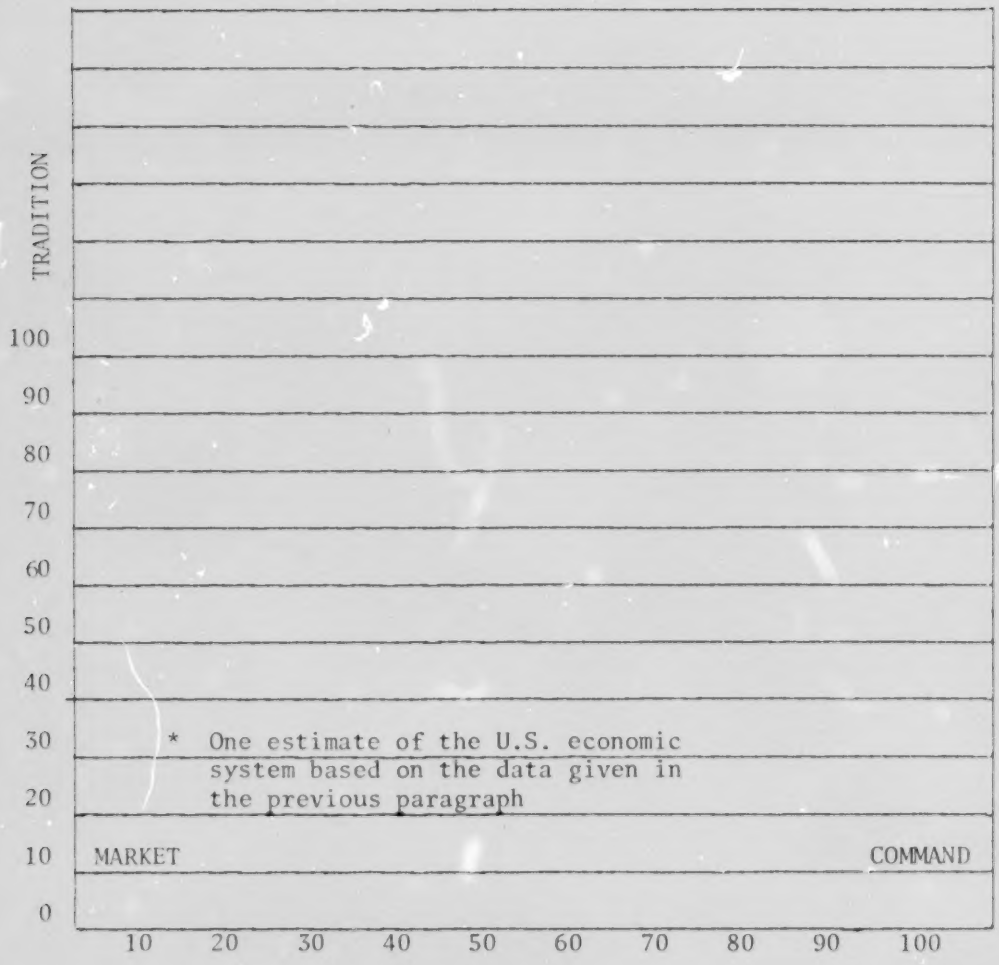
What Kind of "Mix" is Best?*

After your consideration of the essay on economic systems, it is most likely that you have concluded that all societies use a combination of tradition, market and command to determine--What to produce? How to produce it? and For Whom to produce it?

To help you analyze some data concerning what the current mixture of economic systems is in the United States use the following three factor chart. Place a mark on the chart where you think it would be most descriptive of the present situation in the United States. Consider the situation in the United States in 1850 as an example to guide your activity.

The gross national product in 1850 was approximately $7,000,000,000. At that time the total federal expenditures were $39,593,000. State and local governments spent more than twice that amount. Many sons followed fathers in business or farming. Custom limited the opportunities of most women and confined them to domestic chores at home. Yet an unrestrained market economy was driving the nation to become an industrial complex using a large immigrant labor force. In response to market forces the south developed a commercial agricultural system based on slave labor. There was limited government regulation of commerce and selling.

*This may be reproduced for student reading.



Extent of command minus market is on the horizontal line. The vertical line is to indicate the extent of tradition in the economy.

Note to the Teacher:

In this activity the class will be divided into committees of four to six students. One student will receive a handout entitled "Instructions to the Committee Chairperson"; the other members of the committee will receive handouts containing data about the extent of market or command in the United States today. The chairperson's card will contain procedures for conducting the group and a series of questions designed to help the students synthesize their separate data. Each group can then place its estimate of the United State's current systems mix on the three factor chart.

Alternative A: If the chart does not suit your class simply have the committee chairperson report the conclusions of the committee without using the chart.

Alternative B: Follow either the original procedure or alternative A and add data to the committee's resources from material available to you. If you add new material each year this strategy can easily be modified and updated.

Alternative C: The above alternatives are designed to economize on the reproduction of materials and to increase pupil involvement in the activity, but another option exists where there are other learning objectives. That is to reproduce those committee data cards as handouts that seem suitable for your class and use the directions from the committee card to guide class discussion or as a class essay.

Alternative D: Have students use their textbooks as historical sources to try to estimate the changing mix of market, command, and tradition. Explore the historical reasons for the changes. Evaluate the relationship between political power and the ability to modify the market system.

INSTRUCTIONS TO THE COMMITTEE CHAIRPERSON:

As chairperson of the committee to investigate our economic system you will want to have each member of your committee contribute his/her own special knowledge. You should call on each to speak briefly. There may be questions, ideas and discussion from the other members of the committee after the report. Encourage such discussion.

When everyone has given a report you will try to reach agreement on a committee report to be presented to your whole class. Basically this should consist of the following:

- What elements of command do we have in our economic system?
- Which sectors of the economy seem to be most frequently modified by some form of command?
- What areas are most frequently left to market?
- What elements of tradition are there in our system?
- What forces are there operating that cause Americans to modify the operation of the market system? Do you expect the trend to continue?

DATA SHEET #2

In the early 1970's Senator Charles Percy stated, ". . . At this moment we have the freest economy we're going to have for a long time to come."

At that time Americans received the following kinds of income from the private sector in manufacturing:

factory payrolls	$ 168.8 billion
dividend income	$ 25.8 billion
proprietors' income	$ 71.3 billion

All private payrolls amounted to $608.8 billion

government payrolls	$ 132.3 billion
government transfer payments*	$ 94.3 billion
military spending	$ 76.0 billion

DATA SHEET #3

Some forms of government involvement in the economy:

- Government contracts with the private sector for goods and services
- Government guaranteed loans
- Tax preference for certain activities
- Tariffs and import quotas
- Regulation of rates and conditions of operation for natural monopolies such as telephone and electric service, interstate transportation
- Minimum wage and maximum hours bills
- Government involvement in management-labor relations
- Pure food and drug regulations
- Safety and health regulations in the work place
- Control and encouragement of nuclear power development
- Environmental regulations
- Auto safety regulations

*Such payments as social security, veteran's benefits, social welfare cost.

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- What led to government regulation of railroads?
- What has happened since the government began to regulate the railroads?
- What results of regulation are described?
- What is the current situation?

DATA SHEET #5

THE COST OF COMPLIANCE

Goodyear Tire & Rubber Co. says it spent $30 million last year complying with Federal regulations. The tabulation:

Environmental costs (capital equipment, manpower, added fuel costs, miscellaneous). . . . . $17.2 million
Occupational safety and health (capital equipment, manpower, miscellaneous) . . . . . .$6.9 million
Motor vehicle safety standards (equipment and testing of tires and other products). . . . . .$3.4 million
Personnel and administration (manpower, accounting, reports, computer time, paper work, etc.) . . . . . .$2.5 million

Total $30 million

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- What do we need to know about the results of the programs listed above in order to judge their value?
- What are the savings as the result of a cleaner environment, safer workplace, and other programs?

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- What reactions to government involvement in the economy are described in the Newsweek article?
- Despite the problems with big government regulation, why would a majority of people still support government regulation?

DATA SHEET #7

For Discussion

- How many decisions made in the American economy, with respect to what goods and services are to be produced, how they will be produced, and who will get them, are made in response to market forces?
- Did the manufacturer build your family car in response to what your family would buy or did your family buy what the advertiser said they should buy?
- What determines the way your grocer stocks his shelf, the movies shown at the theatre, the records sold?
- In the life of your family, and your friend's family, how significant are market forces in determining what they do and what they have?
- How could this be measured for the nation?

DATA SHEET #8

For Discussion

Among the ways to judge the adequacy of an economic system is by evaluating it in terms of:

> Efficiency - profits and sales are a very effective way of telling decision-makers whether or not land, labor and capital are being well utilized. The market system does this very well. To the extent that our system operates under a market system that is how decisions are made about who works, where, and at what; what goods are available; where plants are located; and most other important decisions. On the other hand, profit has played a large role in creating the energy crisis. The profit system has also delivered phosphate detergents, throw-away bottles, and high rates of unemployment. For example, when questions about small cars, H. Ford said, "mini-cars make mini-profits."

- Are there other measures of efficiency that we should be including besides sales and profits?
- Is it efficient if all people who want to work do not have useful employment?
- Is it efficient to produce a product if the method of production wastes resources or pollutes the environment?
- What other measures of efficiency might be used other than maximum profits?

When each group has reached agreement concerning the mix in the economy, the class may reassemble, to compare the group reports. Stress the importance of the group giving reasons for the decision which has been reached.

Empire Building

Introduction

America, especially in the twentieth century, has been a leading industrial nation and a major force in world production, trade, and financial exchange. The module explores the rise of American industry and attempts to point out the effects that largeness or empire building has had both internally and externally. (The module on regulating and control deals specifically with the internal aspects of bigness and cornering the market.)

Students have been exposed to the standard definition - the Industrial Revolution was a change from hand work at home to machine work in the factory. While this may be a starting point, it is seriously limited in terms of the growth of corporate largeness and automation. Multinational is a term that is widely used and communicates, as it reflects that these corporations look at the entire world as an area of operation. This trend does reflect certain economic advantages - science based, research-intensive, large and multi faceted, subject to economies of scale, and producing a product with a high income elasticity of demand. The economic, political, social and geographic effects of this multinational corporate trend are self-evident.

This module will illustrate the growth of industrial enterprise and corporate structure in the last one hundred years. The United States' role in this industrial rise was and is salient because of the quantity, quality, and variety of natural resources available. Historically, largeness or bigness has in the United States connoted goodness. This concept is undergoing revision with the rise of environmental concerns, consumerism (Ralph Nader) and the emphasis on humanness in the industrial process. Largeness (empire building) has produced significant results in terms of material goals. Today, the advantages are being reassessed in terms of the social, political and human systems of activity.

This module contains four steps. They are:

- The Development of United States Industry, 1860-1900
- Selected Data on the Petroleum Industry in the United States, 1920-1960: A Case Study of Empire Building
- Multinational Corporations - Continuing Consolidation and Concentration of Industry
- Impact of Empire Building

Objectives

To identify some of the basic factors that are involved in industrial largeness
To recognize the corporate organization that has generated largeness
To formulate generalizations about the impact/effect of industrial/corporate largeness (empire building) on the United States and the world

Directions

Introduce the topic and set the stage by means of a simple exercise. The two pictures and captions should provide the mind set and enable the teacher to introduce and obtain base line data on the level of student information.

- A simple chart using basic economic terms such as land, labor, capital, and entrepreneurship can be used to involve students and begin the process of data collection relative to the two conditions pictured.

FACTORS INFLUENCING PRODUCTION

	Land	Labor	Capital	Entrepreneurship
1775				
1975				

- A simple two column chart requiring students to compare and contrast the forces of production involved in the two illustrations can be constructed.

FORCES OF PRODUCTION

1775	1975

Try to generate as many specific items as possible in each of the columns. Avoid generalizations such as, labor or skilled labor; encourage clear statements identifying the factors of production.

The Development of United States Industry 1860-1900

Introduction

The concept of empire building must necessarily begin with the advent of the Industrial Revolution and large scale production. This step in the module is designed to illustrate and focus attention upon some of the multitude of forces that were involved in transforming the United States from an agricultural country to a major industrial force in the world by the start of the twentieth century. Using an economic approach, the factors of production are presented in a concise table to highlight major elements that led to industrial development. From the acorn of industrial growth of the nineteenth century came, due to economies of scale, competition, and shrewed entrepreneurship, the giant oak of today's corporate world.

Objectives

- To identify some of the growth factors in United States industry in the second half of the nineteenth century
- To compare, contrast and associate data about United States industrial growth in the last half of the nineteenth century
- To generate from the data two generalizations about changes in the United States between 1860-1900

Directions

Reproduce, either as desk copies or on an overhead transparency, the chart 1.1. Ask students to look over the chart. Be sure students can read the table by asking basic questions, such as: What is the title of the table? What are the headings on each axis of the table? Design two or three questions to see if the information can be located. (How much copper was produced in 1900? in 1860? What was the total amount of bank assets in the United States in 1880?) Next, proceed to ask more complex questions.

Relationships: What association do you see between (specific factor) in 1860 and 1900?
In looking at all the cells in the labor category for 1860, what meaning can you derive about the labor force?

Questions such as these indicate relationships, both in terms of factors in the same year and the nature of industry in a given year, can be established. The data then become categorized and grouped; and generalizations can be formed.

Analysis: A number of analyses can be drawn from the table; from the vertical rows, from the horizontal columns, and from all the data.

Sample questions: Generate a summary statement on the nature of American industry in 1860.
What generalization can you derive about the changing nature of the labor force in the United States from 1860-1900?

Generalization: From the results of the analysis you have made about American industry, large scale generalizations can be derived, such as:

Compare and contrast the state of American industry between 1860-1900.
If the trends identified between 1860-1900 are continued into mid-twentieth century, what differences would you expect in mid-twentieth century America?
What problems would emerge in maintaining the trends identified between 1860-1900?

The purposes of this step are two fold: 1) to establish a set of basic generalizations about the nature of United States industry in the nineteenth century, and 2) to insure that students can read, interpret, and generalize from data. The data should lead students to two basic conclusions:

1. The nature of United States industry changed radically from agricultural, rural, and home production to industrial, capitalized, and city conditions.

2. United States industry was growing rapidly. (A later step will focus on this aspect.)

TABLE 1.1
SELECTED FACTORS OF PRODUCTION IN THE U.S. 1860-1900

		1860	1880	1900
LAND	Farmland & Building (total Values in millions of dollars)	6,642	10,193	16,603
	Coal Petroleum Production (in 1,000 tons) (bituminous or anthracite)	20,041	79,407	269,684
	Crude Petroleum Production (in thousands of 42 gallon barrels)	500	26,286	63,621
	Iron Ore Production (in thousands of long tons)	2,873	7,120	27,300
	Copper Production (in thousands of short tons)	8,064	30,240	303,059
	Railroad Mileage	30,626	115,647	208,152
LABOR	Population (in thousands)	31,513	50,262	76,094
	Gainful workers over 10 yrs. Total (in thousands)	10,533	17,392	29,073
	Farm	6,208	8,585	10,912
	Non-Farm	4,325	8,807	18,161
	Population (in thousands) Urban	6,217	14,130	30,160
	Rural	25,227	36,026	45,835
CAPITAL	Total National Wealth (in billions of dollars)	4.5	25.8	63.8
	Banks Number	1,562	3,335	13,053
	Assets (in millions)	1,000	3,399	11,388
	Concerns in Business (in 1,000)	427.3 (1870)	746.8	1,174.0
	Patents Issued	4,357	12,903	24,644

Source: Historical Statistics of the United States: Colonial Times to 1957. Prepared by Bureau of the Census with cooperation of Social Science Research Council, Washington, D.C., 1960.

The Petroleum Industry in the United States 1920-1960: A Case Study of Empire Building

Introduction

This step uses one industry (petroleum) as a vehicle to illustrate the rapid growth of industry in the United States in the twentieth century. The petroleum industry is a sound example as it represents both growth and the complexity of a technologically based industry with considerable geographic spread. The multitude of petroleum products, refining processes, transportation systems, research and development, and exploration activities are all examples of the diversity that must be coordinated and administered by corporate management (an integrated industry).

The table (2.1) provides data on a variety of production activities, all of which are capital intensive. Economies of size and scale, spreading of risk, expansion of markets, and technological and management leadership are all hallmarks of the petroleum industry. These factors have encouraged large scale, complex and integrated corporations. These forces generated concentration, competition, price cutting, monopoly generation, mergers, etc. The natural culmination of this trend toward empire building is found in the formation of multination corporations which will be the subject of Step 3.

Objectives

- To identify some of the factors indicating growth concentration and integration in the petroleum industry.
- To compare, contrast and associate data about the petroleum industry in the United States 1920-1960.
- To construct generalizations about the petroleum industry in the United States in the twentieth century.

Directions

This step shall have three distinct phases, each focusing on a salient feature of the petroleum industry in the twentieth century. They are: a) spectacular growth, b) concentration of power in the hands of a few giant corporations and c) the integrated nature of the industry.

A) Growth

Make a copy of the chart 2.1 for each student or make a transparency that can be shown in class. Each student should quickly review the data. First, be sure that all can read a chart by asking a series of cell location questions (see step 1 of this module). Proceed to ask relationship questions to establish associations and possible connections between the data of the same year (horizontal rows) and over time (vertical rows). As examination of similar questions in step 2 will provide some models of the type of questions to be pursued.

The same procedures should be followed for analysis questions. Again, review step 1 for sample type questions. The purpose of the chart was to

enable students to make data-based generalizations. Some sample analysis questions are:

- Formulate a statement that describes the petroleum industry in the United States in the twentieth century
- What inferences can you make about the nature of the petroleum industry from the data?
- What problems did the petroleum industry face in order to produce continuous growth in the twentieth century?
- What generalizations can you make about the nature and composition of the petroleum industry?

The purposes of this phase of Step 2 are to establish: 1) the petroleum industry as a large expansive force in American industry and 2) the strong continuous and powerful growth period of the petroleum industry in the twentieth century.

B) Concentration of power

From this base (of largeness and growth), we will now examine the nature of the petroleum industry. Reproduce table 2.2, Scale and Size of Producing Enterprises: 1919. Students should examine this table. Be sure that students can read this chart. Establish the fact that the table relates to the size, number and value of producing enterprises in 1919. Please go through the same procedure: establish data, make relationships, analysis and generalizations. All responses should be data based. In essence, the data reveals that a small percentage (1.4 of all enterprises) whose value was one million dollars or more produced almost half (49.7%) of the value of products. Generalizations about the concentration of power in a relatively few companies should be noted.

TABLE 2.1

Selected Data on the Petroleum Industry in the U.S. 1920-1960

		1920	1940	1960
CRUDE PETROLEUM	Production (in thousands of 42 gallon barrels)	442,929	1,353,214	2,574,933
	Imports (in thousands of 42 gallon barrels)	106,175	42,662	371,575
		1919	1939	1958
CRUDE PETROLEUM AND NATURAL GAS	Number of Oil and Gas Wells	257,673	347,645	547,583
	All employees (includes proprietors and firm members)	125,930	193,880	333,185
	Wages (includes all employees in millions of dollars)	169	318	1,700
	Capital Expenditures for Exploration and Development (in millions of dollars)	237	not available	1,075
		1920	1940	1960
REFINED PETROLEUM	Production (in billions of gallons)	1024.49	1662.48	2605.6* (does not include amt. for paraffin- figures not available)
GASOLINE	Production (in thousands of barrels)	116,251	597,375	1,510,134

Source: Historical Statistics of the United States: Colonial Times to 1957. Prepared by Bureau of the Census with cooperation of Social Science Research Council, Washington, D.C., 1960.

- Continuation to 1962 and Revisions-Supplement, 1965.

23

Table 2.2 Scale and Size of Producing Enterprises: 1919

By value of product

Class Distribution	Enterprises		Value of Product	
	Number	Per Cent	Amount	Per Cent
Less than $5,000	4,348	44.3	9,531,235	1.0
$5,000 to $20,000	2,797	28.5	28,919,564	3.1
$20,000 to $100,000	1,696	17.3	75,785,417	8.1
$100,000 to $500,000	684	7.0	150,748,376	16.2
$500,000 to $1 million	156	1.6	109,951,280	11.8
$1 million to $5 million	96	1.0	204,187,367	21.9
$5 million and over	37	0.4	352,793,423	37.9
Total	9,814	100.0	931,793,423	100.0

Table 2.3 Share of 32 Companies Grouped According to Degree of Integration U.S. Crude Oil Production: 1919

Degree of integration	Number of companies	Production (Millions of barrels)	Per cent of total U.S. production
Producers only	9	57.2	15.2
Producers and refiners	8	33.4	8.8
Producers, refiners, and marketers	15	133.6	35.4
Total	32	224.2	59.4

Source: Harold F. Williamson, et. al. The American Petroleum Industry: The Age of Energy, 1899-1959. Evanston, Illinois: Northwestern University Press, 1963, pp. 62,63.

Table 2.4 Number, Capacity, and Average Size of Refineries Owned by Selected Groups of Refining Companies: 1920

Companies ranked by size	Refining Capacity Owned		Refineries Owned	
	Barrels per day	Per cent of total	Number	Per cent of total
1-5	473,300	30.9	22	5.9
6-10	264,600	17.3	27	7.2
11-15	161,780	10.6	26	7.0
16-20	95,500	6.2	9	2.4
21-25	56,500	3.7	8	2.1
26-30	44,400	2.9	7	1.9
Small refiners	434,485	28.4	274	73.9
Total	1,530,565	100.0	373	100.0

Average Size of Refineries Owned (barrels per day)

Small refiners	1,585
Large refiners	11,072
All refiners	4,103

Source: Harold F. Williamson, et. al. The American Petroleum Industry: The Age of Energy, 1899-1959. Evanston, Illinois: Northwestern University Press, 1963 p.164.

Table 2.5 Refining Capacity of 30 Largest Oil Companies: January 1, 1920

	Companies	Per cent of total industry capacity
1.	Standard New Jersey*	9.5
2.	Standard California*	7.6
3.	Standard Indiana*	4.7
4.	The Texas Company	4.6
5.	Gulf Oil	4.6
6.	Union Oil of California	4.2
7.	Atlantic Refining*	3.6
8.	Sinclair Consolidated Oil	3.3
9.	Royal Dutch-Shell	3.1
10.	Magnolia Petroleum	3.1
11.	Midwest Refining	3.0
12.	Associated Oil	2.8
13.	Standard New York	1.7
14.	Cities Service	1.7
15.	Ohio Cities Gas	1.4
16.	General Petroleum	1.3
17.	Pierce Oil*	1.3
18.	Tidewater Oil	1.3
19.	Casden	1.3
20.	Vacuum Oil*	1.1
21.	Sun Oil	.9
22.	Standard Kansas*	.8
23.	Indian Refining	.7
24.	American Oilfields	.7
25.	Mid-Continent Gasoline	.6
26.	Pan-American Petroleum and Transport	.6
27.	White Eagle Oil and Refining	.6
28.	Continental Refining	.6
29.	Standard Ohio*	.6
30.	Solar Refining*	.4
	Total	76.1

*Members of original Standard Oil combination

Source: Harold F. Williamson et. al. The American Petroleum Industry: The Age of Energy, 1899-1959. Evanston, Illinois: Northwestern University Press, 1963. p. 165.

As further data, distribute Table 2.3, Share of 32 Companies Grouped According to Degree of Integration in U.S. Crude Oil Production, 1919. Again, be sure students can read the data, and ask a series of questions of ascending complexity leading to analysis. The results of this analysis should lead to the generalization that a strong tendency seems to exist in favor of producers, refineries, and marketers in one company, as opposed to producers only.

An inspection of Table 2.4, Number, Capacity and Average Size of Refineries Owned by Selected Groups of Refining Companies: 1920, shows that although small scale operators owned nearly 75% of the refineries in operation at the end of 1919, the largest thirty companies owned or controlled nearly 72% of the total domestic refinery capacity. Use the same questioning sequence to be sure students can read and interpret the data on the table.

Table 2.5, Refining Capacity of 30 Largest Oil Companies: January 1, 1920, lists the ranking of refinery capacity of the thirty largest oil companies. Although the percents seem small (less than 10% per company), it must be noted that a) the big companies are well represented and b) ten of the thirty listed represent less than 1% of total industry capacity.

In 1937, the twenty largest companies in the field of crude oil production accounted for 56% of the nation's output. In the same year, the twenty largest refineries processed 83.7% of the total crude.

C) Integrated nature of industry

The combining of all phases of production of a finished product under one company is called integration. This term is illustrated very clearly by the petroleum industry (see Table 2.3). Integration is described as:

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(From When the Oil Wells Run Dry by Walter M. Fuchs. This quote is from a speech by a former president of Standard Oil of New Jersey. Reprinted by permission of Industrial Research Services, Inc., Dover, New Hampshire. Copyright 1946.)

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In order to reenforce the concept and to provide some applications of the concept, have students respond to questions such as:

- Petroleum is not the only industry that is integrated. Can you name others?
- What special characteristics make integration possible?
- What advantages does integration offer an industry?
- What advantages does integration offer a consumer?
- What disadvantages are inherent in integration?

Multinational Corporation - Continuing Consolidation and Concentration of Industry

Largeness or empire building, exemplified in steps one and two, generated large powerful corporations. Their large production capacities generate reciprocal needs for more natural resources, better transportation and communications systems, and expanding markets for the products produced. Resources and market are not functions of national political boundaries. The impetus for more concentration and consolidation has created super corporate entities called multinational corporations (MNC) that are international in scope with extensive sales and assets. This step provides a look at this recent corporate phenomenom and some of the economic concepts that underlie its formation.

Since this development is relatively new, some background reading is suggested. Some useful resources are:

"The Fortune Directory of 500 Largest Industrial Corporations: (U.S)". Fortune, May, 1975.

"50 Largest Industrial Corporations" (World) Fortune.

"Barnet and Mueller, The Global Reach, The Power of the Multinational Corporations". Simon and Schuster, 1974. (A controversial anti-multinational volume.)

Objectives

- To identify the characteristics of a MNC and relate the forces of consolidation and concentration to MNC
- To relate the economic concepts of economy of scale and cost of entry to the development of MNC
- To formulate generalizations about the possible impact of MNC today and in the future

Directions

There will be two phases to this step. The first will provide an overview of the economic concepts of economy of scale and cost of entry, and the second will describe MNC.

The rapid growth of the petroleum industry as described in Step 2, generated large integrated corporations. The economic principle that underlies this growth is economies of scale. The ultimate value of largeness (empire building) is to employ large scale means of production (mass-production) and maximize the mechanical and technological output. These features are usually associated with corporations that are rich enough to utilize fully the means of production and find suitable markets for their output in order to minimize the per unit cost so as to maximize profit.

Paul Samuelson, a leading economist, provides the following explanation of economies of scale.

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(From Economics: An Introductory Analysis by Paul A. Samuelson. Copyright 1964. Used with permission of McGraw-Hill Book Company, Inc.)

Discuss the concept in class. Ask your students to provide examples. (The automobile industry is a key example.) Make the association of integrated industries with economies of scale. Point out that economic relationships establish the need for better balance in production, more confidence in markets, and less risk in operating these large expensive capital intensive corporations. The need for some form of confidence (control?) of the market and ways to the market (transportation) is critical if the advantages of economies of scale are to be established and maintained. If the new raw material output, transportation system, access to markets or the political system interferes with a steady predictable flow of goods - imports and exports - these advantages will disappear.

Another factor to consider in reviewing the concept of bigness (empire building) is the cost of entry. If bigness (capital investment, skilled workers, development of raw materials, advanced technology and machinery) is necessary in order to compete, then the cost of entering into the field becomes so high that competition is discouraged, reduced, or eliminated.

Impact of Empire Building

Economies of scale and other economic advantages of bigness have generated great wealth in the industrial nations - the have nations. The spread in economic, social, and even political terms between the have and have-not nations has produced considerable tension in the world. The underdeveloped nations have demonstrated their unhappiness at the present distribution of the world's wealth, and there is a strong positive correlation between national wealth and the conditions of life. An inspection of table 3.3 shows the distribution by nation and number of the 100 largest corporations in the world: the have nations. National wealth, however, is built upon certain economic, corporate and political conditions. The three suggested analysis questions in step 3 in this module are directed at the assets and problems that largeness creates. However, it is a fact that the state of the conditions of life in a country are directly related to national wealth. The question is when does the point of diminishing social and political returns offset economic gains?

Objectives

To name some of the relationships of national wealth to conditions of life.
To compare the conditions of life among industrial, high income, middle income, and low income countries.
To chart the relative advantages and disadvantages of empire building.
To evaluate the advantages and disadvantages of empire building in order to develop a personal synthesis on the question.

Directions

Distribute a copy of the Table 4.1, Wealth and Life Statistics. Ask students to study the data. Be sure that all pupils understand the basic components of the chart by asking a series of location questions. Some suggested questions are:

What columns reflect national wealth?
Which columns indicate condition of life?
Ask students to locate specific data:

What is the per capita income of Syria?
What is the life expectancy of males in Chad?

Proceed to ask relationship questions - horizontal ones to establish any association, contrast and comparison within one country.

This stage of questioning will establish relationships and generalizations re national wealth and conditions of life for one country. This same process should be repeated to make association, contrasts, comparisons within the four groupings of countries on the chart. Some typical questions at this stage are:

What inferences can you make about wealth and the condition of life of the industrial countries'
What statements can be deduced from the education data of lower income countries?
A set of generalization or analysis statements should be constructed for each of the four groupings.

A data bank of analysis or generalizations should be developed (on the board, newsprint, or on an overhead) about each of the four groups of nations. Then a set of generalizations for the total chart can be generated that will be a data base about the relationship of national wealth and conditions of life. Ask your students to speculate as to why this is so. Be sure that the responses reflect economic concepts and principles, not vague verbal or non-specific responses.

Be sure to point out to the class that the only determiner on the chart is economic. Remind students of the social and political questions and challenges about MNC that were raised in step 3. The larger issue is bigness must be considered in a larger perspective. The old adage, "Man does not live by bread alone" will provide a focus on that view. By using that or a similar stimulus, ask students individually or in small groups to list in chart form the advantages and disadvantages in empire building. The following matrix is provided for this purpose.

		Economic	Political	Social	Geographic	Individual	Other
Advantages	Internal						
	External						
Dis-advantages	Internal						
	External						

Numerous discussions, reports, projects and other follow up activities should flow from this exercise. The identification, explanation, and priorizing of views will provide a range of information. Capitalize on the diversity of student response, as the means to pose more questions and to promote further study, investigation and research. The issues raised are critical to the values, priorities and decisions that will emerge as the guiding principles for our world for the remainder this century. This is not an academic exercise but one that is found in many aspects of today's life and world.

Table 4.1 WEALTH AND LIFE STATISTICS

COUNTRY	PER CAPITA INCOME Latest available figures	LIFE EXPECTANCY Latest available figures		INFANT MORTALITY RATE Number of deaths per 1,000*	AGE LIMITS FOR COMPULSORY EDUCATION
		Male	Female		
Austria	3,350	66.8	74.1	23.7	6-15
Belgium	3,346	67.7	73.5	17.0	6-14
Canada	4,751	68.8	75.2	16.8	6-16
Finland	3,312	65.9	73.6	10.1	7-16
West Germany	5,040	67.2	73.4	20.4	6-15
Ireland	2,009	68.6	72.9	17.8	6-14
Italy	2,298	67.9	73.4	25.7	6-14
Japan	3,292	70.5	75.9	11.7	6-15
Netherlands	4,103	70.8	76.8	11.6	7-15
New Zealand	3,723	68.4	73.8	16.2	6-15
Norway	4,102	71.1	76.8	11.3	7-16
Portugal	956	65.3	71.0	44.8	7-13
Switzerland	2,963	69.2	75.0	12.8	6-15
Britain	2,503	68.9	75.1	17.5	5-16
United States	5,523	67.4	75.2	17.6	6-16
Indonesia	110	50.7	50.7	86.3	6-14
Iran	1,280	51.0	53.7	78.5	6-12
Iraq	568	47.5	47.5	125.0	NO LAW
Libya	3,010	50.0	50.0	NOT AVAILABLE	6-15
Saudi Arabia	1,530	42.3	42.3	NOT AVAILABLE	NO LAW
Venezuela	1,240	66.4	66.4	51.7	7-14
Argentina	1,191	64.1	70.2	59.0	6-14
Brazil	425	60.7	60.7	170.0	7-14
Chile	590	60.5	66.0	78.0	7-15
Colombia	426	44.2	46.0	62.8	7-12
Dominican Republic	406	57.2	58.6	48.8	7-14
Greece	1,760	67.5	70.7	27.8	5-11
Guatemala	302	48.3	49.7	79.1	7-14
Israel	2,526	70.1	72.8	22.1	5-15
Malaysia	295	56.0	56.0	32.0	6-13
Mexico	684	59.4	63.4	60.9	6-14
Nicaragua	507	49.9	49.9	46.0	7-13
Panama	754	57.6	60.9	34.1	6-15
Peru	335	52.6	55.5	65.1	6-15
Spain	1,256	67.3	71.9	15.1	6-13
Taiwan	261	NOT AVAILABLE		19.1	NO LAW
Trinidad & Tobago	732	62.2	66.3	26.2	5-15
Tunisia	434	51.7	51.7	76.3	6-15
Yugoslavia	406	65.3	70.1	43.3	7-15
Zambia	310	43.5	43.5	259.0	NO LAW
Congo	281	41.0	41.0	180.0	6-16
Egypt	210	51.6	53.8	114.0	6-12
El Salvador	319	56.6	60.4	58.2	7-15
Ghana	217	37.1	37.1	63.7	6-16
Ivory Coast	387	35.0	35.0	138.0	NO LAW
Jordan	334	52.6	52.0	21.3	6-17
South Korea	344	59.7	64.1	NOT AVAILABLE	6-12
Liberia	197	45.8	44.0	159.2	6-16
Morocco	279	50.5	50.5	149.0	NO LAW
Paraguay	347	59.4	59.4	38.6	7-14
Philippines	230	48.8	53.4	67.9	7-12
Syria	334	52.8	52.8	21.7	6-12
Thailand	210	53.6	58.7	27.0	7-14
Turkey	435	53.7	53.7	153.0	6-14
South Vietnam	130	50.0	50.0	100.0	6-11
Afghanistan	63	37.5	37.5	NOT AVAILABLE	7-13
Burma	73	40.8	43.8	200.0	NO LAW
Burundi	68	35.0	38.5	150.0	NO LAW
Cambodia	123	44.2	43.3	100.0	6-11
Central African Rep.	122	33.0	36.0	130.0	6-14
Chad	70	29.0	35.0	160.0	NO LAW

*Infants 1 year or less

SUBSIDIZING AND REGULATING: CONTROLLING THE ECONOMY

This unit focuses on the issue of government regulation of business in a free enterprise system. It contains five teaching modules which are as follows:

1. Media Ownership - Introduces the concept of concentrated control in a single industry using Time, Inc. as an example.

2. Corporate Mergers - Presents different types of corporate mergers emphasizing the implications of conglomerate mergers on our economic system and society.

3. Federal Trade Commission Simulation - Students assume the roles of Federal Trade Commissioners in examining a case of alleged monopolistic control and unfair competitive practices on the part of a corporation.

4. Who Owns America's Corporations? - Presents data for the purpose of examining the concentration of wealth in our country and its relation to corporate ownership.

5. Corporate Presence in Politics - A discussion lesson which looks at corporate wealth as power to influence our political processes.

Throughout these lessons three key questions should be emphasized:

- Is regulation of business practices needed in a free enterprise system?
- Is it the appropriate role of the Federal government to serve as the regulator?
- If there is to be Federal regulation of business practices how can it be made more effective and responsive in serving the needs of individuals and the larger society?

1. Media Ownership

Objectives:

Students will examine and discuss the effects and implications of concentrated media ownership and control.

Materials:

Quotations from the Monopoly Makers

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(From The Monopoly Makers by Ralph Nader. Copyright 1973. Grossman Publishers. Reprinted by permission from The Viking Press.)

Students should also investigate the role of the FCC in facilitating or restricting this information flow.

Procedures:

Read or distribute individual copies of the following quotations to the class:

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Discussion Questions:

- What are some of the benefits of this type of ownership to the American People?
- Are there negative aspects to this type ownership to Americans both as consumers and citizens?
- Read and discuss the First Amendment to the Constitution. Does ownership and control of the mass media relate to the rights and premises prescribed in the First Amendment?

Activities:

1. Students, as a follow-up to the Media Ownership lesson, can now investigate the role of the FCC in regulating media (see: Chapter 2 - The Monopoly Makers). An excellent simulation on this topic is "The Truth in Advertising Simulation" by Timothy Little (see: "A Simulation to Launch a Study of Law and Consumerism" in Social Education, March, 1975, pp. 159-162). After becoming familiar with this simulation students can simulate current cases being reviewed by the Federal

Communications Commissioners (i.e. deceptive advertising of Listerine - New York Times, Sunday, January 4, 1975).

2. Invite a local television or radio station manager to speak to the class on FCC licensing regulations.

   Discuss these regulations in terms of their effects in providing the American public with information which represents a variety of viewpoints.

2. Corporate Mergers

Teacher's Guide:

Objectives:

- Students will be able to identify and distinguish between three types of corporate mergers.
- Students will examine the implications of conglomerate mergers in a democratic society with an economic system based on the principles of free enterprise.

Terms:

Types of Mergers:

(a) Horizontal - mergers of firms dealing with the same product or service.
(b) Vertical - mergers between suppliers, manufacturers or distributors of the same product (i.e. iron ore mine and a steel manufacturer). Conglomerate- bring together firms in entirely unrelated fields (80% of all mergers today are conglomerate).

I. Materials:

Transparencies 1, 2, 3 - Vertical, Horizontal, and Conglomerate Mergers

Background:

In discussing the reasons for and implications of corporate mergers one point which should be emphasized is that of the value placed on competition. In a free enterprise system competition is, supposedly, a prime characteristic of the system. Corporations, however, acting in their own self interest to increase profits and their share of a given market often devote major efforts to eliminating competition. This is accomplished in various ways such as by merger, price fixing, or lobbying for government protection in some form.

Procedures:

In using transparencies 1, 2, and 3 the following questions are suggested for guiding discussion:

- What would be the advantages to a corporation merging in this manner?
- What could be some possible benefits or advantages to the consumer as a result to this type of merger? Some possible disadvantages to the consumer?
- How could this type of merger (vertical, horizontal, conglomerate) affect competition?
- How could this type of merger (vertical, horizontal, conglomerate) affect the ability of new corporations to go into the same business?
- What is the main difference between conglomerate mergers and vertical and horizontal mergers? What effects could this difference have on the lives of Americans?

II. Materials:

Transparency #4 - ITT Acquisitions

Transparency #5 - ITT Subsidiaries

Note: International Telephone and Telegraph serves as an example not only of a conglomerate merger but also of a multinational corporation (see: New Yorker Magazine, "Reporter at Large - Global Reach," 3 part article, November 25, December 2, December 9, 1975).

Procedures:

- View transparency #4 (IT&T Acquisitions) and discuss the different types of corporations owned by IT&T.

- On viewing transparency #5 (IT&T Subsidiaries) discuss the following questions:

  - Which country in the world is IT&T responsible to and where would its allegiance be in time of world crisis (i.e. war)?
  - What are the effects on the lives of people living in a world where corporations are this large? (Note: This could take the form of a written assignment.)
  - To initiate and sustain discussion the following quotations may be useful:

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(From The New Yorker Magazine. "Global Reach," by Richard Barnet and Ronald Muller. December 2, 1974. Reprinted by permission.)

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The data provided in tranparencies #4 and #5 may be used to explore the question:

- Is bigness (on the part of corporations) bad? Students can be divided into small groups and asked to develop arguments pro and con. Other examples of large corporations such as Exxon and G.M. can be used to support their arguments.

Students in favor of large conglomerate corporations may through research try to produce evidence to show that largeness produces economies of scale, greater efficiency, better managerial skills, technological advances, etc. Students arguing against largeness may try to prove that this does not produce technological advancement, stifles competition, results in higher prices, produces a dangerous concentration of power, etc.

3. Federal Trade Commission Simulation[1]

Objectives:

1. Students, through participation in a "real-life" decision-making situation, will develop a realization of the many factors to be considered in antitrust regulation.

2. Students will develop a broader conception of the terms monopoly, unfair competition, and restraint of trade.

3. Students will consider the issue of government regulation, of business in a free enterprise economic system.

Materials:

Table 1 - Wholly Owned Subsidiaries of No-Spill Oil Corporation
Case Description
Role Description #1 - Federal Trade Commissioners
Role Description #2 - Representatives of No-Spill Oil Corporation

(A transparency may be made of Table 1; all students will need a copy of the Case Description; one half of the class will need a copy of Role description #1, and one half of the class a copy of Role Description #2.

Time:

Two, 50 minute class sessions.

Teacher's Guide:

The Federal Trade Commission Simulation is, necessarily, an oversimplification of a very complex process. For example, an economist working for the FTC or Department of Justice would need such information as total sales, marginal costs, profit totals, relative market shares, etc. of the corporations in question in order to make a decision. Other variables could include the fact that a very high percentage of the top personnel in our regulatory agencies end up working for the corporations they once regulated.

This simulation, then, could be played in its basic form or with the addition of data and/or other variables for greater complexity. The two key ideas to be emphasized in this simulation are:

1. It is sometimes difficult to define the conditions of "unfair competition" and "monopolistic practices." For example, is an aggressive corporation which is spending profits to purchase other corporations being "unfairly" competitive or very competitive?

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[1]Adapted from: Timothy Little. "A Simulation to Launch a Study of Law and Consumerism" in Social Education, March, 1975, pp. 159-162.

2. The question of whether or not the government should be engaged in regulation at all, or, do regulatory agencies simply protect those firms and practices they are supposed to discourage?

Throughout this simulation the teacher should encourage students to be as analytical as possible in using data and reasoned argument, based on evidence, in reaching a decision. Students may also be tempted to respond emotionally in equating "bigness," in terms of corporation size, with "badness." If so, you may ask if the owner of the only grocery store or gas station in a small rural town is a monopolist engaging in unfair competitive practices.

Introduction to the Simulation:

The Federal Trade Commission(FTC) was created by the Congress in 1914, and given broad responsibilities for supervision and regulation of business operations in the United States. It is primarily concerned with maintaining conditions of fair competition. The FTC investigates mergers, price discrimination and deceptive advertising claims. This simulation involves the maintenance of fair competition function of the FTC.

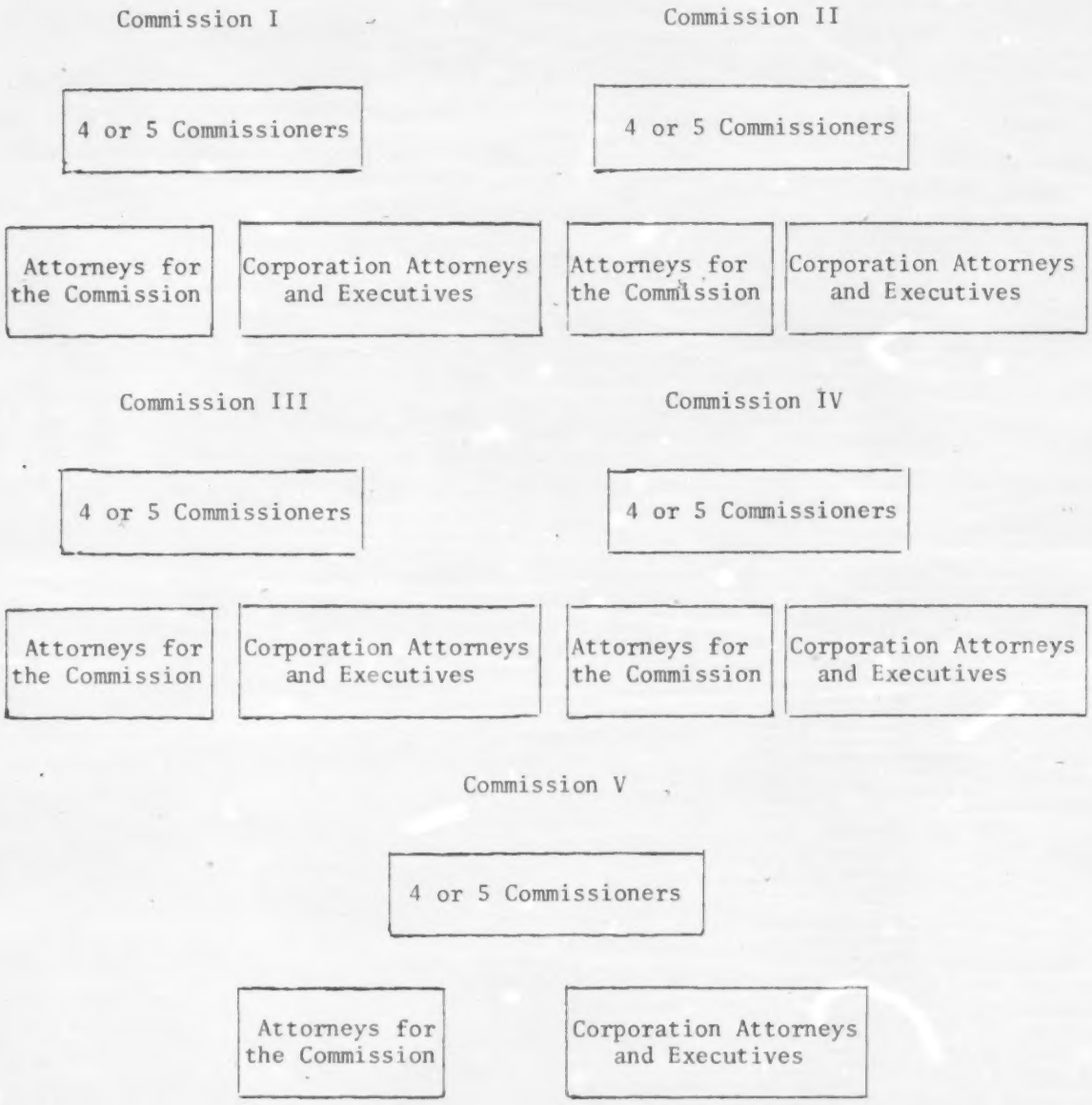
Overview

This simulation places students in the roles of FTC commissioners and corporation executives and attorneys. The FTC commissioners are in the roles of hearing a case, and serving as "prosecuting" attorneys, involving charges of unfair competition and price discrimination on the part of No-Spill Oil Corporation. Executives and attorneys for No-Spill Oil must present arguments to prove that they are not in violation of the charges made. Upon completion of the hearing the FTC commissioners must make a decision on the case. Decisions are determined by a majority vote of the commissioners and have the force of law.

Directions:

. It is suggested that at least one week prior to playing the simulation that a class period or more be devoted to the historical origins of antitrust legislation and the development of government regulatory agencies. Students should also have at least minimal familiarity with the Sherman and Clayton Acts. This will also provide an opportunity to collect newspaper and magazine articles relating to antitrust activities of the Federal government.

2. Divide the class into groups of 7 - 9 students. Assign each group a hearing room location (Figure 1)



3. Provide each group with sufficient handouts of the following:

- Table I - Wholly Owned Subsidiaries of No-Spill Oil Corporation
- Case Description
- Role Description #1
- Role Description #2

4. Each group will separately and simultaneously simulate a hearing of the FTC.

5. Four or five students within each group will assume the role of FTC Commissioners. They are to hear the case, ask questions of attorneys and corporation representatives, and make a decision as to whether or not there have been violations in "restraint of trade."

6. Two to three students take the part of Commission "prosecuting" attorneys. They are to examine the facts of the case, gather supporting evidence, and present a case arguing that No-Spill Oil Corporation is monopolizing, engaging in unfair competitive practices, etc., and should be charged with selling some of their holdings.

7. One or two students may take the role of corporation attorneys, and one or two students the role of corporation executives. The corporation attorneys are to prepare a case defending No-Spill Oil's corporate practices. Corporation executives may prepare a brief statement for the commission defending their practices and/or may be questioned by members of the Commission.

8. Simulation Session I

   - View and discuss Table I - "Wholly Owned Subsidiaries of No-Spill Oil Corporation" (Appendix I). Do not attempt to elaborate, rather, let students make inferences as the game progresses. This transparency or a copy should be easily available to students throughout each session.
   - Read and discuss the "Case Description" (Appendix II). Make certain students understand roles and tasks.
   - Allow 20 minutes for opposing attorneys to prepare their "case" and delegate a spokesman.
   - Convene all of the hearings simultaneously according to the following schedule:

     Statement of Complaint - FTC
     Attorneys - 5 minutes
     Defense Presentation - Corporation's Lawyers - 5 minutes
     Questions by Commissioners - 10 minutes
     Debrief - teacher led discussion concerning the hearing. Questions should be raised as to what further information is needed as well as additional arguments which attorneys could develop - 10 minutes

9. Simulation Session II

   - Convene all hearings
   - Further statements by Commission attorneys - 3 minutes
   - Further statements by Corporation attorneys - 3 minutes
   - Statement by corporation executive - 2 minutes

- Commissioners' decision as to what action is to be taken and vote - 10 minutes
- Report from a spokesman from each hearing as to the Commission's decision and reasons for the decision.
- Debriefing:

  Discuss with the class what constitutes a monopoly
  Ask students to give their own definitions of unfair competition.
  Discuss with the class the nature of the FTC and the question as to whether or not the Federal government should be in the business of regulation.

Note: The teacher should feel free to adapt this simulation in a manner which is most appropriate to a particular group of students. For example, it may be of greater benefit for some students to compress the time periods, and play the simulation for a single class session rather than two sessions.

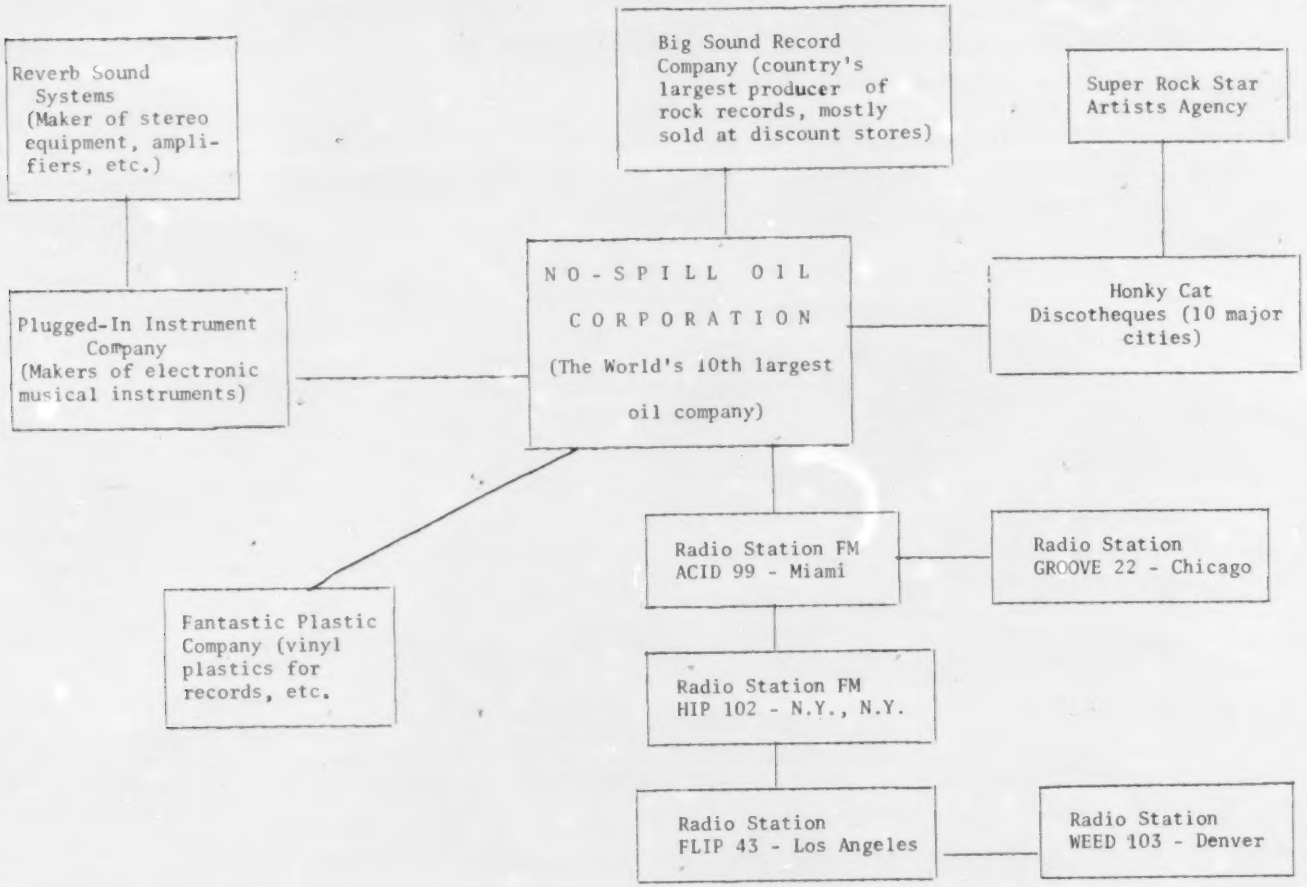
Bibliography:

The Federal Trade Commission. Federal Trade Commission Decision. Washington: U.S. Government Printing Office (published annually)

Wagner, Susan. The Federal Trade Commission. New York: Praeger Publishers, 1971.

A P P E N D I X I

TABLE I - Wholly Owned Subsidiaries of No-Spill Oil Corporation


Reverb Sound Systems (Maker of stereo equipment, amplifiers, etc.)
Big Sound Record Company (country's largest producer of rock records, mostly sold at discount stores)
Super Rock Star Artists Agency
Plugged-In Instrument Company (Makers of electronic musical instruments)
NO-SPILL OIL CORPORATION (The World's 10th largest oil company)
Honky Cat Discotheques (10 major cities)
Fantastic Plastic Company (vinyl plastics for records, etc.
Radio Station FM ACID 99 - Miami
Radio Station GROOVE 22 - Chicago
Radio Station FM HIP 102 - N.Y., N.Y.
Radio Station FLIP 43 - Los Angeles
Radio Station WEED 103 - Denver

APPENDIX II

Case Description

The Antitrust Division of the Department of Justice has charged that the No-Spill Oil Corporation is in violation of the Sherman and Clayton Antitrust Act. This charge resulted from a complaint initiated by the Golden Oldies Record Corporation which stated:

1. Fantastic Plastic Company, the country's largest producer of vinyl plastics used in making records, was charging Golden Oldies Record Corporation a higher price for vinyl plastics than it was charging Big Sound Record Company.

2. That Golden Oldies Record Corporation was finding it impossible to hire big name recording stars because Super Rock Artists was paying exorbitant salaries, offering better recording contracts, as well as opportunities to have their recordings played on the air.

Attorneys for the No-Spill Oil Corporation responded to these charges as follows:

1. Because Big Sound Record Company buys greater amounts of plastics from Fantastic Plastic Company, they receive a discount price which in turn is passed on to the consumer.

2. Super Rock Star Artists Agency has, in fact, lost money for the past two years. These losses are made up from the profits of No-Spill Oil. They also pointed out the opportunities they will be able to provide for aspiring rock artists.

APPENDIX III

Role Description #1

Federal Trade Commissioners and Prosecuting Attorneys for the Commission

As members of the Federal Trade Commission you are to conduct a hearing on this case and decide whether or not No-Spill Oil Corporation is in violation of the Sherman and Clayton Antitrust Acts. Your decision should be based on the following considerations:

- Evidence of monopolizing, engaging in unfair competition, limiting competition or any other violations of the Sherman and Clayton Acts.
- Evidence that the holdings of No-Spill Oil Corporation may not be in the best interests of the American people both as consumers and citizens.

You will hear evidence presented by prosecuting attorneys for the Commission, and Attorneys for the Corporation. You may also question corporation executives.

Once a decision has been reached you, acting as the Federal Trade Commission, may take the following action:

- No-Spill Oil Corporation is not guilty of these charges and no action should be taken.
- Require No-Spill Oil to charge all companies the same price for its plastics and to stop paying its rock stars such high salaries. A fine may also be made against No-Spill and it could be required to compensate Golden Oldies for the higher price charged for plastics.
- Require No-Spill Oil Corporation to sell some of its corporate holdings. Specify which ones and the reasons for which they must be sold.

Whichever recommendation your Commission makes must be considered in terms of its effect on the economy and the welfare of our country and its people. Remember, our economy is supposed to be based on the principles of free enterprise and competition.

Attorneys for the Commission

- Read the above role description
- Your responsibility is to prepare a case to present to the Commissioners showing that the No-Spill Oil Corporation constitutes a monopoly, and has engaged in unfair competition or any other violations of the Sherman and Clayton Acts.
- In preparing your case you will find it useful to refer to abridged copies of the Sherman and Clayton Acts as well as current newspaper and magazine articles describing similar cases.

APPENDIX IV

Role Description #2

Executives and Attorneys for No-Spill Oil Corporation

You are taking the roles of attorneys or executives of No-Spill Oil Corporation. In this role of executives you will be questioned by the FTC commissioners as to the operation of your corporation regarding the charge made against it by Golden Oldies Record Company and the Justice Department. As attorneys you will be expected to present a case to the FTC showing why you are not in violation of the Sherman or Clayton Acts. One of your best defenses will be to use examples of other similar cases reviewed by the FTC to support your claim.

Other arguments you may wish to use are as follows:

1. No-Spill Oil Corporation is simply engaging in good business practices. They are using profits from their oil business to purchase other profitable businesses. This gives a greater return (dividend) to the people who are stockholders in No-Spill. The executives of a corporation have a responsibility to provide the greatest return possible to its stockholders.

2. No-Spill does not have a monopoly in any of these businesses. Anyone who wants to can start similar corporations.

3. Rather than restricting competition, No-Spill is, in fact, being very competitive. It produces the lowest priced quality rock records in the country. If other companies are not efficient enough to be able to sell their records at such low prices they should not be in business.

4. The consumer benefits from our low record prices. Furthermore, our radio stations provide a great deal of free public service announcements.

5. Asking No-Spill to sell any of these corporations will probably mean that they will not be as profitable. This could mean loss of jobs for many people. No-Spill runs other companies profitably because we have, through our experience in a world-wide oil business, developed highly trained executives and more efficient business management techniques than smaller corporations can usually provide.

6. Because of our size, large research budgets, and staff of scientists, we are more able to make new technological advances than a smaller corporation. For example, Plugged-In Instrument Company is perfecting a computerized guitar which will play itself.

4. Who Owns America's Corporations?

Objectives:

Students, when confronted with data on wealth distribution, will develop a realization of the problems posed to a democratic society which has an unequal distribution of wealth.

Materials:

Copies of the handout, "Who Owns America's Corporations?"

Procedures:

Distribute copies of "Who Owns America's Corporations?" It is suggested that, due to the amount and complexity of the information contained in this reading, that it be read as a class activity. The teacher

should ask appropriate questions in the reading and interpretation of the data. One point which should be emphasized is that the kinds of wealth owned by the very wealthy (state and local bonds, corporate stock) differs from the kinds of wealth owned by the less wealthy (cars, homes).

Appendices I and II are included as additional information for the teacher.

Discussion Questions:

- How do you think the type of property owned by the top 1 percent wealth-holders would differ from the type of property owned by the lowest or poorest 20 percent of the population?
- What trend do you notice in the ownership of corporate stock by the top 1 percent of wealth-holders?
- Most of this country's wealth is obviously held by a very few people. Do you think something should be done about this? If so, what? Should the government redistribute the wealth so that everyone has the same amount?

Most large corporations in the United States are actually run by salaried managers. These managers try to operate corporations so as to maximize the long-run profits of their owners. Corporations are owned by their respective stockholders. In fact, about 1.6 percent of the population owned 82.2 percent of all stock.

Tables 1 and 2 provide information as to which people are the major owners of corporations in this country.

Table 1 shows the percentages of national wealth-holdings for the top 1/2 of 1 percent and 1 percent of the population during selected years from 1922-1956.

TABLE 1 - Concentration of Wealth

Removed by ERIC due to copyright law.

(The Share of Top Wealth-Holders in National Wealth 1922-1956, by Robert J. Lampman. (Princeton, N.J.: Princeton University Press 1962) Table 97, p. 209. Reprinted by permission of the National Bureau of Economic Research.)

Although there was a decrease in the percentage of wealth owned by the top 1% of the population, from 1922 - 1956 and into the 1960's, in recent years, there has been an increase in the percentage of wealth owned by this population group.

Table 2 shows the different types of wealth and percentages of the total, owned by the top 1 percent of the population.

TABLE 2 - Percentage of Property Held by the Top 1 Percent of wealth Holders[2]

Removed by ERIC due to copyright law.

(The Share of Top Wealth-Holders in National Wealth 1922-1956, by Robert J. Lampman. (Princeton, N.J.: Princeton University Press 1962) p. 172. Reprinted by permission of the National Bureau of Economic Research.)

APPENDIX I

Distribution of Wealth by Size[1]

All Consumer Units (Households)	Million 57.9	Percentage of Households 100.00
Size of Wealth:		
Negative	1.0	1.8
Zero	4.7	8.0
$1 - $999	9.0	16.0
$1,000 - $4,999	10.8	18.0
$5,000 - $9,999	9.1	16.0
$10,000 - $24,999	13.3	23.0
$25,000 - $49,999	6.2	11.0
$50,000 - $99,999	2.5	5.0
$100,000 - $199,999	.7	1.25
$200,000 - $499,999	.5 less than	1.0
$500,000 - and up	.2 less than	0.4

When this study of wealth distribution was conducted in 1962, about 200,000 households in the country were worth $500,000. The number of millionaires in 1962 was more than 80,000, compared with 27,000 in 1953. "Only 39 percent of the 200,000 had no inherited assets. These 200,000 at the time held 22 percent of all wealth, while 57 percent of the wealth was held by 3.9 million individual consumer units worth $50,000 or more."[2]

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[1]Projector, Dorothy and Gertrude Weiss, Survey of Financial Characteristics of Consumers (Washington, D.C.: Federal Reserve Board, 1966) p. 151.

[2]Op. cit.

APPENDIX II

Distribution of Before-Tax Family Income[1]

	1969	1964	1960	1956	1950	1947
Poorest Fifth	5.6%	5.2%	4.9%	5.0%	4.5%	5.0%
Second Fifth	12.3%	12.0%	12.0%	12.4%	12.0%	11.8%
Middle Fifth	17.6%	17.7%	17.6%	17.8%	17.4%	17.0%
Fourth Fifth	23.4%	24.0%	23.6%	23.7%	23.5%	23.1%
Richest Fifth	41.0%	41.1%	42.0%	41.2%	42.6%	43.0%
Richest 5%	14.7%	15.7%	16.8%	16.3%	17.0%	17.2%

[1]Source: U.S. Census Bureau, Current Population Reports, Series P-60, No. 75, Table 11, p. 26.

5. Corporate Presence in Politics

Objectives:

Students will become aware of the fact that a critical dimension of concentrated wealth in our society is that it serves as a source of power in influencing political processes.

Materials:

Copies of the excerpted article from the New York Times - "Corporate Presence in Politics"

Procedures:

Ask students to read the article, then ask a series of factual questions about its content to make certain they understand the meaning of the article.

Discussion Questions:

- Is there anything wrong with corporations and labor unions making campaign contributions to political candidates?
- Why are corporations interested in supporting political candidates?
- Do you see any dangers to a democratic system of government when major corporations support particular candidates for political office?
- What possible kinds of pressures could be placed on a political candidate who receives most of his campaign funds from a business or labor organization?

Note: It is important that students do not come away from this lesson with the belief that it is only corporations which make contributions to political candidates. The teacher should balance this lesson with examples of labor and other organizations exercising political influence.

From the New York Times, Sunday, December 14, 1975.

> "The Sun Oil Company is putting up $100,000 for political purposes--not for contributions, let it be hastily noted, but rather as expense money for its 'responsible citizenship program' an in-house committee set up to solicit contributions from Sun's employees and shareholders."
>
> "At Dow Chemical Corporation seven such political action committees have been set up, which could conceivably provide a total of $70,000 in contributions to a single Presidential candidate next year."

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[1] p. 1 of the Business and Finance Section.

"Deere and Company has collected more than $18,000 from its executives since last March, all earmarked for political distribution."

The New York Times article goes on to say that more than 300 such political action committees had been established by corporations and business organizations such as the National Association of Manufacturers.

Recently the Federal Election Commission--an agency established after the Watergate scandals--ruled that the Sun Oil Company could pay the expenses of its political action committee and that "corporate management could decide which candidates would receive financial support."[1]

Soon after the Federal Election Commission decision Thomas Curtis, chairman of the commission, received a letter from William E. Duke, Atlantic Richfield Company's Director of Federal Governmental Affairs. The letter was addressed "Dear Tom" and said, "It seems that you and I are always on the same side fighting uphill battles." Mr. Duke was 'heartened' to learn of Mr. Curtis's support of the proposition that corporations should be allower to provide their employees with an opportunity to contribute to political campaigns."[2]

Many persons, including corporation executives, view this decision with concern. Some feel that it makes the employees of these corporations subject to pressures from their bosses to contribute to a certain political party or political causes. Failure to do so could, conceivably, mean not being considered for promotions or salary increases. Others believe that since management decides which candidates are to receive the contributions that most of the contributions will go to conservative political candidates.

Business representatives state, on the other hand, that they are simply doing what labor has always done in obtaining funds from its members and leaving the decision, as to which candidates receive the funds, to the union leaders. Further, business in giving political funds to conservative candidates is simply balancing labors' tendency to support liberal candidates.

[2]Ibid.

Selling the Consumer - Part 1

Introduction

An obvious result of industrial bigness is the establishment of large markets for the goods produced. Since World War II, a period of rapid industrial growth in the U.S., a reciprocal growth has taken place in developing a related industry - marketing communications (a euphemism for advertising). The Madison Avenue approach is a term that communicates the role, place, and function of advertising in the United States economy and market place. The high visibility of this twenty billion dollar a year (1971 figures) industry is demonstrated in a vast variety of media and mechanisms that surround us daily. The impact has both beneficial and detrimental effects. This four step module was designed to introduce and examine marketing communications.

The questions raised and issues explored are found in many readable sources for upper level secondary students. Three major sources for research and indepth study are: The Greening of America by Charles Reich, Random House, 1970; The New Industrial State, John K. Galbraith, Houghton Mifflin Company, 1967; and The Hidden Persuaders, Vance Packard, David McKay Co., Inc., 1957.

The four steps in this module are:

The Role of Marketing Communications
The Costs of Advertising
The Social and Economic Effects of Advertising
Summary

This module is designed to bring a number of aspects of marketing communications to the conscious level of students. The activities should be considered as a take off place to begin questioning the social, industrial, and economic quandries and conundrums of advertising in an advanced industrial country.

Objectives:

- To use a model for examining the role and functioning of marketing communication-advertising.
- To examine, through one example, the economic and social costs of advertising.
- To list the assets and liabilities of advertising.
- To consider alternative or marketing mixes to present day advertising procedures.
- To examine and try to resolve the social, economic, political, and other trade offs that are involved in "selling the consumer".

Step 1. Role of Marketing Communications

Introduction

A model for examining the nature, role, and function of marketing communications, stressing the differences between the matter and the manner by which advertising is presented.

There are a number of stages between product development and consumer purchasing decisions. This step provides a means of examining some of these stages.

Objectives:

- To use/employ a model for examining the role and functions of advertising or market communications.
- To distinguish between dissemination-diffusion (the matter of advertising) functions and the "buy me" (manner of advertising).
- To establish the multiple facets of advertising-marketing communication.

Description

There are many stages between product development and consumer use. The many steps in this process include merchandising, packaging, promotion, determining of consumer needs, etc. From research and development of a new product to widespread acceptance and use, a number of complex processes take place. For purposes of this module two distinct stages will be utilized: Dissemination (matter of advertising) and Buy Me (manner of advertising).

Dissemination is a term utilized to describe all of the processes that are involved in making the public at large aware of a new product. This awareness will bring needs/wants forces into operation. There are a number of classic examples of this system: Agriculture in the United States is one of the most studied and documented of these examples. The process in agriculture is: 1) research and development (established in land grant colleges through the Morrill Act, 1862), 2) pilot or trials (agricultural experimental stations), 3) diffusion of results (country and state agricultural agents). Farm innovations such as hybrid strains, fertilizer, better pesticides, land utilization, etc. take approximately seven years from development to widespread use in the United States.

Similar examples can be cited in the areas of public health, such as immunization. In a relatively short period of time both the Salk and Sabin vaccines were introduced, and mass innoculations took place. In approximately ten years, polio has been virtually eliminated as a major disease in countries with strong public health services.

The ten year campaign by the World Health Organization (WHO) of the United Nations has, except for three small pockets, eliminated small pox in the world. (See Natural History magazine August-September, 1975, Volume LXXXIV, no. 7, pp. 8 -18).

Consumer awareness then is a major force in marketing communications of information about the availability and the potential benefits of any product. The examples cited show that a) networks exist for the transmission of information and b) the systems and mechanisms supported by national governments are extremely effective in aiding the spread of knowledge and information.

Private industry has attempted to establish similar networks in order to disseminate information about its products. The private sector, however, is organized about individual competing companies. Their message is not only dissemination of information, but also emphasis on their particular product. The manner of dissemination of their competitive product is the message.

Both news of the new product and the "buy me" conditions are found in newspapers, magazines, television, and radio. The "buy me" focus raises questions re propaganda and persuasion, generating unnecessary needs and wants, and establishing tastes. Also, techniques to reduce competition such as loss leaders, misleading statements, saturation, and exaggeration have become a major part of advertising campaigns.

A useful exercise for students is to collect samples of advertising to see if they can identify the techniques utilized. A brief review of the Packard book, The Hidden Persuaders, and references on propaganda techniques will provide a base for beginning this activity. The daily paper will provide many examples for the initial introduction in class of a reasonable variety of strategies.

Remember that the purposes of this step in the module are:

- The two major roles of advertising.
- The purpose of advertising in the marketing system.
- The rationale for influencing consumer preferences.

Step II. The Cost of Advertising

Introduction

Step 1 of the module established two basic roles of advertising or marketing communication (dissemination and "buy me"). Without sales of a company's product there is no advantage or pay off for industrial largeness (Empire Building). This step will examine some of the "costs" of advertising. One example (an article from The New York Times entitled, "Christmas 1975: $3 Billion for Toys") will be utilized to indicate some of the economic and social costs involved. Other data will be examined to add to the discussion such as consumer purchasing decisions, corporate bigness, and the advertising industry.

Objectives

- To list the cost of advertising to consumer and the market
- To examine the focus of advertising
- To introduce the social aspect of advertising
- To reinforce the multicorporate structure of bigness today

Directions

There are two handouts that must be reproduced and distributed to students. (Table 2.1, 25 Most Heavily Advertised Products [1955] and the article, The New York Times; $3 Billion for Toys).

Distribute Table 2.1 (25 Most Heavily Advertised Products) and ask students to study and analyze the chart, raising questions in the following sequence:

1) Be sure students can read the data, such basic questions as:
   - What product was most heavily advertised?
   - How much was spent on advertising it?
   - What industry is most represented on the list?
2) To see relationships:
   - What similarities do you notice among any of the ten top products?
     -in the next ten?
3) To check comprehension:
   - What industry(ies) or product(s) is (are) represented most on the chart?
4) To assist analysis:
   - Why do you think these industries are the most significant United States products?
   - What generalizations could you make about American life from the list?
   - What values or priorities seem to be most represented on this list?
   - Formulate a statement about the purpose of the American advertising industry.

Distribute the article from The New York Times entitled "Christmas 1975: $3 Billion for Toys." Allow students to skim the article. Then start a discussion using some of the following key questions. [Note that the paragraphs are numbered for handy reference and to facilitate locating information to be discussed.]

First establish an information base on the board or on newsprint. A good suggestion is to develop a data bank of basic information contained in the article. Suggested questions are: Identify the amount spent per child on toys. (See paragraph 5.) What influence does television advertising have? (See paragraphs 3, 6, 8.) Quote the data to show a focus on children as the intended audience. (See paragraphs 7, 8, 11.) List the amounts of money involved in the toy industry and its advertising. (See paragraphs 4, 5, 6.)

From the data base, design a series of questions to encourage students to speculate on the relationships of the data, to make hypotheses about its meaning and to form generalizations from the data pool. A summary problem on the relationships of television advertising to the toy industry is: If you were an advertising manager for a toy company, design a sales promotional plan for your product.

A description of toy industry is included in paragraphs 9-12. What indicators are there that "bigness" is also a facet of the toy industry? What relationships exist between Fisher-Price and Quaker Oats with the toy industry? Can you guess why a food company is involved with subsidiaries in the toy industry?

Another interesting factor for your students to consider is the rapid growth and extent of the advertising business. In 1956, the expenditures for advertising in the United States was ten billion dollars while in 1971, it had risen to twenty billion dollars. The total amount must also be considered in comparison with the intended audiences and the most heavily advertised products. (See Table 2.1.)

All of the questions and issues presented should lead to reenforcement and examples of the advertising industry selling the consumer. The focus should not be on the specific information presented but rather as examples of larger questions and generalizations.

Christmas 1975: $3 Billion for Toys

By Leonard Sloane

(1) Christmas business is toy business. American do 60 percent of their toy buying during this season, and this year it will amount to some $3 billion.

(2) "We learned last year that the toy business is not recession-proof," acknowledges Herbert R. Sand, marketing chief for the Ideal Toy Corporation, one of the dozen or so large manufacturers who dominate the market. But business has improved since mid-1975 and the demand for some items has been so strong, he says, that the company has had to allocate its output among the stores that sell it.

(3) Ideal's Evel Knievel Stunt Cycle is one of this year's best sellers, and it represents two aspects of the strong influence of television: The toy is based on an individual who gained wide recognition on TV and, moreover, it has been promoted by a heavy campaign of TV advertising.

(4) The final result for 1975-according to the industry's trade association, the Toy Manufacturers of America-will be full-year gains of approximately 6 percent above last year's $3 billion at wholesale and $4.8 billion at retail. This is no growth in the actual physical volume of goods, because the dollar gain has all been inflation. But it is distinctly better than last year, when volume was up but prices were up more.

(5) In translation from the statistical abstraction of these big numbers, it all works out to $75 per child and the way it looks now, the figures will be still higher next year.

(6) More than $100 million was spent this year for toy advertising on television, much of it concentrated on weekend and after-school programming for children.

(7) Just last week, Action for Children's Television, a public-interest group, released two studies which concluded that programs which are beamed at the under-12 audience are interrupted by commercials on an average of once every 2.9 minutes. The Toy Manufacturers Association pointed out in response that the industry subjects itself to a complex system of pre-broadcast and post broadcast reviews of toy commercials, and the Federal Communications Commission controls the quantity.

(The New York Times.)

60

(8) Charles P. Lazarue, president of Toys-R-Us-the country's largest chain of toy supermarkets-simply certifies that the TV advertising has been effective this year. "The highly promoted goods are selling much faster than ever before," he comments. "TV-advertised merchandise is in generally short supply throughout the country."

(9) Scrambling for their fragments of the action are more than 900 domestic manufacturers and, of course, uncounted hundreds of foreign producers. But one-third of the nation's entire toy volume is handled by only a dozen companies, some of them independent operators and others subsidiaries of well-known diversified corporations.

(10) The big independents include Ideal, the Tonka Corporation, Hasbro Industries and the Milton Bradley Company (which also owns Playskool). The subsidiaries include the Fisher-Price and Louis Marx divisions of the Quaker Oats Company, and Parker Brothers and Kenner Products, both owned by General Mills, Inc.

(11) The largest, although hardly the least troubled, is Mattel Inc., the company that made the Barbie doll a household term. Mattel reported last week that in the first nine months of this year it showed a profit of $8.1 million, after deducting tax credits for earlier losses. Its losses in the last two years totaled over $25 million.

(12) The company's problems were legal as well as financial, though, and it is still trying to wind up its difficulties with the Securities and Exchange Commission over charges that it issued inaccurate financial statements in the past.

(13) Regardless of over-all conditions in the business, there are-as always-winners and losers this year. The losers will be carried over into January and placed on sale in an effort to clear them out. The winners have been cleared out already.

(14) Among the hit toys that children are asking for by name this year are Mattel's Baby Thataway, a battery-operated crawling doll; Ideal's Evel Knievel Stunt Cycle, another in the series of toys named after the daredevil motorcyclist; Kenner's Six Million Dollar Man, the best-selling new action figure; Fisher-Price's "Sesame Street" play sets with movable figures for pre-schoolers; Mego International's Star Trek figures based on the long-running TV series, and Knickerbocker's Holly Hobbie a calico-and patchwork doll.

(15) "Even the higher priced merchandise is doing well this year," says Arthur W. Peabody Jr., a vice president of W.R. Grace & Company, which owns Fun City, a toy retailer. And David A. Miller, president of Eder Toys Inc., maintains that "even customers who are holding back on major purchases of hard goods don't seem to be holding back on toys for their kids."

(16) The toy business has been expanding despite the decline in the birth rate. There were 3.2 million births in the United States last year compared to more than 4 million a year only a decade ago. To some industry analysts, the number of births matters less than the number of families and how the families live.

(17) "Family formations, which will rise in the decade ahead, seem to have more of a bearing on industry sales than do the actual number of children per family," observed Lawrence J. Goldstein of Drexel Burnham & Company. "This is because the first-born is the recipient of a disproportionately large percentage of the toys purchased."

(18) In addition, the growing number of working wives also implies greater toy purchases since working mothers are believed to buy more toys for their children than those who do not work. Says Thomas R. Kully of William Blair & Company, "I think that sociological trends are perhaps more significant than the raw numbers."

Step 3. The Economic and Social Effects of Advertising

In reviewing steps 1 and 2, the focus has been on the nature of market communications and the cost of advertising. Step 3 addresses itself to the social and economic impact and effects of advertising. In this step, we shall examine the positive and negative aspects of advertising on society, along with the nature and content of attempts to influence purchasing behavior. This topic immediately introduces value and life style considerations to the question. What are the predominant values of a society, and how and who determines and establishes their existence? These issues are raised to illustrate the basic nature of the question and its affect on the total value system of any political, economic and social structure. There are no bad guys, as we need the dissemination aspects of advertising (market communication). However, the quandary is the formula for allocation of resources to fulfill this need. The challenge of the step - the whole module - is to make students aware of the problem, the conflicting stresses and the difficulty and costs of developing a "solution".

Objectives

- To list the social and economic "costs" of advertising
- To develop an understanding of the conflicting demands of dissemination and "buy me" advertising systems
- Students will design a scheme for the role and place of advertising (market communications) in America today

Directions

The advertising business has dissemination and "buy me" as its major functions. Both of these tasks have built in social and political implications, as well as the obviously economic ones. This step is designed to examine these aspects in order to place advertising in a wider perspective. The following chart is an attempt to list some of the major forces at work. A blank chart can be filled in by students or some of the items given so that students can add to it. The chart is presented only for teacher reference. It is not prescriptive.

Assets	Liabilities
Generates buyer demand	Generates rising expectations among consumers (especially poor and children), who are unable to buy the advertised product.
Sells output products of industry	
Makes buyers aware of product	
Stimulates product development	Generates artificial needs and wants-allocation of resources for industrial output for unnecessary or unwanted products, instead of underfinanced society needs (e.g., hospitals, education).
Sustains employment	
Disseminates information	
Generates buyer demand	Results in persuasion or very subtle influencing of consumers.
Creates "the good life"	
Creates a new industry-advertising	The differences among competing products slight or nonexistent (marginal utility to society).
Gives buyers information on availability of new products, terms of sale	Allocates resources for political activities lobbying support of favorable candidates
Assists in purchaser decision making	Social issues such as: -Advertising persuades people to do things they otherwise would not do. -Advertising takes unfair advantage of consumers by conveying false and misleading information. -Advertising is frequently in bad taste. -Advertising fosters a materialistic attitude throughout society with the resultant neglect of more important values. -Advertising lowers the moral and ethical standards of society. -Advertising exploits the relative lack of sophistication of children, the poor, and some ethnic minorities. -It raises the price of products. (See toy article, paragraph 5, $100 million spent on toy advertising on television in 1975.)

(Much of the above chart is drawn from: Appraising the Economic and Social Effects of Advertising. Marketing Science Institute Staff Report prepared by Michael Pearce, Scott M. Cunningham, and Avon Miller. Oct. 1971. Chap. 4.)

Students can be asked to a) expand or include more information, examples, or explanations or b) study in depth one of the factors listed. The emphasis is on developing an extensive list on BOTH sides of the chart. Generate as much data/information as possible, as this chart will be a useful tool in the next step (four).

Step 4. SUMMARY

Introduction

An application activity is included in order to have students actively deal with the questions, issues, and problems raised in this module. The application is a diagnostic process that will enable the teacher to see students in action. During this process, the needs, gaps, and weaknesses of students will be demonstrated and the teacher can be of immediate assistance to help students at the point of need.

Objectives

- Student application of learning acquired during the module.
- Students design a plan for the role and place of advertising in twentieth century America.

Directions

Many aspects of the role and place of advertising in American life have been examined. Questions related to the values, interest, and priorities in advertising have been examined.

> Criticism of advertising and other forms of selling and persuasion is not a new phenomenon. For centuries, economists, philosophers, and others have raised questions about the effects of these activities on consumer welfare, on the functioning of economic systems, on human nature. These questions will probably be discussed and debated in the future, too, at least as long as "private enterprise" is the primary basis of economic organization in the United States and other democratic societies. From time to time, however, public interest in the role of advertising is intensified and focused on specific issues. In the late 1960's and early 1970's, criticisms of advertising, and proposals for its regulation, have increased steadily. This trend has been closely related to the emergency of "consumerism," and also to a questioning of the impact of television on society during the past 20 years.
>
> (Appraising the Economic and Social Effects of Advertising. Marketing Science Institute Staff Report prepared by Michael Pearce, Scott M. Cunningham, and Avon Miller. Oct. 1971. Chap. 4.)

Individually or in small groups, students should design a plan for the role and place of advertising in twentieth century America. The questions to be addressed should be: Does advertising need to be regulated? Why? For what purpose? (What value do you hold highest-competition, consumer need, information, public protection?) Who is to regulate (government or industry; what problems can each deal with, what weaknesses exist if either is given responsibility? If industry regulates, are profit and sales the key?; if government regulates are protection of the consumer and social purpose the goals?)

For purposes of discussion, have each group share, explain and defend the plan they propose. Emphasize the diversity of response and the value orientation and view of government, industry, and society that is presented. In this manner, the complexity of the problem can be demonstrated and the easy answer eliminated.

Selling The Consumer - Part II

Teacher's Guide:

This unit deals with issues that reach beyond just "selling the consumer." While it raises the issue of the advertising-created demand as a source of jobs and economic well being, it also seeks to deal with the environmental and economic consequences of a consumption-driven society.

Materials and Procedures:

1. This unit includes a play that can be reproduced and read as a text. However, six copies of the play can be used in each class or several classes to save on reproduction cost and materials. The play could be video or audio-taped and used in several classes. Different reading levels can be accommodated in the overall strategy if a few good readers present the play.

2. Within the play are masters for overhead transparencies that can be used within the context of the play or used as "spring-boards" for class discussions. There is a set of questions for each transparency.

3. The play is followed by a series of learning activities designed as followup exercises to the play. These exercises involve valuing, analysis of data, research projects and bibliographies for further reading. The students and teacher can extend the unit by writing the position papers based on student research for the end meeting of Ronald Stoneman's Council of Experts.

"THE SEARCH FOR THE GOOD LIFE"

The scene is the beautiful upstate New York estate of Ronald Stoneman. Stoneman has gathered together a council of experts so that he may "pick their brains" about the economic future. He plans to assimilate the information and use it in his campaign for the presidency. The experts represent a variety of viewpoints and each one seeks to convince Stoneman that he has found the true route to the good life for the nation. The debate is already under way . . .

Cast of characters in the order of their appearance:

Ivan M. Market:	spokesperson for economic growth
Donna Ecology:	spokesperson for an environmental group
C. I. Union:	an old time labor leader
Mary Minority:	spokesperson for an anti-proverty group
Ronald Stoneman:	millionaire politician preparing to run for the presidency
Paul Doomsday:	economist predicting the collapse of industrial nations

Ivan M. Market: In very measurable ways history shows that Americans have doubled their material standard of living every fifty years. To a very large extent this has been the result of a free market responding to consumers' demands. In the past generation real per capita income has risen by sixty percent.

Donna Ecology: Does that mean the quality of life is the same as the gross national product? Do you think we can go on taking more and more resources from one small planet?

C. I. Union: I've heard that zero economic growth argument before, but I know this, the production of more autos, TV's, and other consumer goods means more jobs. Don't leave out of your considerations our current unacceptable rates of unemployment. And hey, remember, every year our schools are adding millions of more job seekers to the population.

Mary Minority: It is easy for people who have achieved the good life to say, "Let's stop the pattern of economic growth," but how about all those poor who don't have enough now, are we going to just leave them out or will the rich be willing to share what they have? I'm telling you that if you take away the hope of living better from the poor struggling to get ahead you are creating a new problem. They've seen it all in the magazines and on the TV and they want a piece of it.

Ronald Stoneman: Wow!! I want to thank you for the frank expression of your views, but I can see that your differences are so great that I will need a lot more information before I establish my position. What kind of information can you offer me?

Ivan: (reveals a chart) [Teacher should prepare overhead transparency #1 for students at this point. If students are reading the play as a text assignment they should have a copy of the chart] This chart shows that over a fifty year period American consumers have clearly shown U.S. industry what they want and the market system has delivered it to them. As a result there are jobs for most people and we have a high material living standard. Our scientists will develop new ideas; our industrialists will produce the product and our market experts will sell them. People today don't even know what those products are; tomorrow—they'll be necessities. That's how we've made progress.

Mary: Well, there are still a lot of Americans who want to work those hours and buy those products; Americans left behind in those periods of growth Ivan talks about. Their lives are still mean and inadequate.

C. I.: Ivan is right about one thing. Workers have been able to improve their living standards during my long years in the labor movement. Let me point out that we still have a long way to go if the American workers are going to live the life shown in TV and magazine ads. When people buy those products that means jobs.

Paul Doomsday: It seems to me we are talking about what we want, not what we can have. Let me tell you about a book called The Limits of Growth. What this book points out is that we must change growth by 1980, or before the end of the next century our civilization will collapse.

Donna E.: That's correct! The authors fed a great deal of data on population, natural resources, the quality of life, pollution, and capital needs into a computer and it projected disaster if we continue our present patterns of economic and population growth.

Stoneman: Yes, but aren't we talking about a "population bomb" in Asia and Latin America? The U.S. is the richest nation on earth!

Paul: Yes, and that may be a part of the problem. Let me show you something about the people of the U.S. and their use of the resources on this planet. [Teacher use overhead transparency #2 and #3 and #4]

Donna: We have looked at a great deal of data but let me show you a cartoon. What is the most appropriate label for the blob: "the teeming millions of the developing nations," "the resource gluttons of the developed nations" or all mankind? [Teacher show the class transparency #5]

Ivan: Those computer read-outs are impressive but they are no better than the quality of the information fed into the computer. And even if they are correct mankind is creative enough to develop new technology. The western U.S. is rich in coal and shale-oil waiting to be used. There is also nuclear power.

C.I.: I know that people want cars and homes in the suburbs. Therefore, we need to develop all our energy resources. We also need to develop energy to increase the productivity of our workers if they are going to be able to win further gains.

Paul: Let me tell you something about those resources. The coal you are talking about has to be stripped from beneath some of our best farmland. You may be trading food for coal. The shale oil processing will use too much of the West's scarce water and be extracted only by ravaging a delicate landscape.

Donna: The word isn't in on safety of nuclear power and there is the problem of disposing of radioactive waste. Also, nuclear power is also scarce.

Paul: Hey! we are talking about only one resource. If fuel and energy were unlimited would that be a license to plunder the other resources of this spaceship earth? Remember that club of Rome's model--it showed the interrelationship between resources, population, pollution, capital investment, and the quality of life. Increasing the use of one resource may well make the total situation worse.

Mary: Boy this is a cheery group!! Well, if you want to limit economic growth, whom do you expect to bear the burden of doing with less? It is easy to talk about this on the Stoneman's estate. Let's meet and talk about it in a depressed inner city area or a rural pocket of poverty.

Ivan: What Paul and Donna have presented is the outline of a problem that can be best solved through more economic growth. We will need the additional wealth in order to clean up the environment and develop resources from the sea and remote areas.

Stoneman: Paul, Donna, the picture you present represents a real problem for a politician. If we develop a proposal based on your viewpoints I would have to ask a whole nation to change direction. I'm not sure that can be done. The other view has a lot more political appeal.

C.I.: When I open a magazine or turn on the TV, I encounter an ad encouraging me to buy a new electric or gas consuming product. When we respond to the ad and buy the product we help make a job for a worker. Ivan and Mary are right; we need more wealth to meet our social and environmental problems.

Stoneman: Is it possible to change the composition of economic growth? Could we build a resource-thrifty society with useful work for each person?

Mary: You are talking about changing people's values. How could a democratic society bring about such a fundamental change?

Ivan: You are calling for a change in the ethic that developed this nation. Suppose you are wrong and you turn this nation into a grubby, stingy people recycling and guarding resources, and as a result, we miss the opportunity to break through to a better, brighter life?

Donna: Ivan, suppose you are wrong? We go ahead and plunder the planet and usher in the Doomsday for our children. With whose view would you rather risk the future?

Stoneman: I'm beginning to see we may want growth, but it will be different than what we've been taught to expect. If population were stabilized and we could change the composition of economic growth would it be possible to avoid the "Doomsday"? Instead of yearning for material goods, people could learn to prefer services like health care, recreation, the arts and education. Productivity gains could be taken in greater leisure time to enjoy human relationships, the natural world, and intellectual activity. We could learn to recycle all possible resources. Products like autos and applicances could be designed to last longer and to be easily repaired.

Mary: How about those who don't have enough now? Are you considering new ways of sharing?

Ivan: I'm concerned that if we abandon the system that has brought us our material well-being for an untried course we are courting disaster. I can see Stoneman is trying to compromise the growth vs. nongrowth views. I'm not sure it's possible.

Paul: What choice do we have?

Stoneman: Hey!! I'm just asking questions. I need to know a lot more. I need to be sure of my economic position then I must consider the practical politics of carrying it out. When can we meet again?

END OF ACT I

QUESTIONS FOR OVERHEAD TRANSPARENCY #1

- What is the trend shown by the chart?
- What possible reasons are there for the changes shown in the chart?
- What changes in the behavior of consumers is implied by the chart? How would manufacturers try to influence consumer behavior because of the changes indicated in the chart?
- Do you expect this pattern to continue for the next 50 years? Why?

QUESTIONS FOR OVERHEAD TRANSPARENCY #2

- Why might it be useful to look at the distribution of the world's population and consumption patterns on a scale of a village of 1,000?
- What would be the consequences for this village (the world) if all its people lived at the standard of the Europeans and U.S. citizens?
- What problems are created by distribution and consumption patterns of this village?

QUESTIONS FOR OVERHEAD TRANSPARENCY #3

- Is it possible for the pattern described to continue indefinitely? Why?
- How might nations exporting fossil fuels such as oil exploit this situation?
- Is it possible for all nations to use energy at the rate which the U.S. uses energy?

QUESTIONS FOR OVERHEAD TRANSPARENCY #5

- What is the view of the cartoonist?
- What is the best label for the blob?
  - Developing nations of the third world
  - The inustrialized nations
  - All mankind
- Why?

OVERHEAD TRANSPARENCY #2

Adapted from the New Republic, November 9, 1974, who borrowed the idea from Daniel Shaughnessey in War on Hunger.

IN ORDER TO GAIN A SPECIAL PERSPECTIVE ON THE WORLD TODAY—IMAGINE A WORLD COMMUNITY OF A THOUSAND PEOPLE WHOSE TOTAL RESOURCES ARE LIMITED TO FIFTEEN SQUARE MILES. ONLY A SMALL PART OF THAT LAND IS SUITED TO AGRICULTURE. IN THIS COMMUNITY 570 OF THE VILLAGERS WOULD BE ASIANS, SOME 190 EUROPEANS, ABOUT 100 AFRICANS, SOME 90 WOULD BE NORTH AMERICANS (60 FROM THE UNITED STATES) AND 50 ARE SOUTH AMERICANS. THERE ARE SOME OTHER FACTS ABOUT THIS WORLD VILLAGE: THE SIXTY U.S. CITIZENS RECEIVE ALMOST ONE-HALF OF THE TOTAL INCOME OF THE COMMUNITY EACH YEAR. THE OTHER HALF IS DIVIDED VERY UNEVENLY AMONG THE REMAINDER. IN THE NEXT TWENTY-FIVE YEARS THE POPULATION OF THE VILLAGE IS EXPECTED TO DOUBLE.

OVERHEAD TRANSPARENCY #3

IN THE 1970'S, IN THE UNITED STATES, THERE LIVES 6% OF THE WORLD'S PEOPLE.

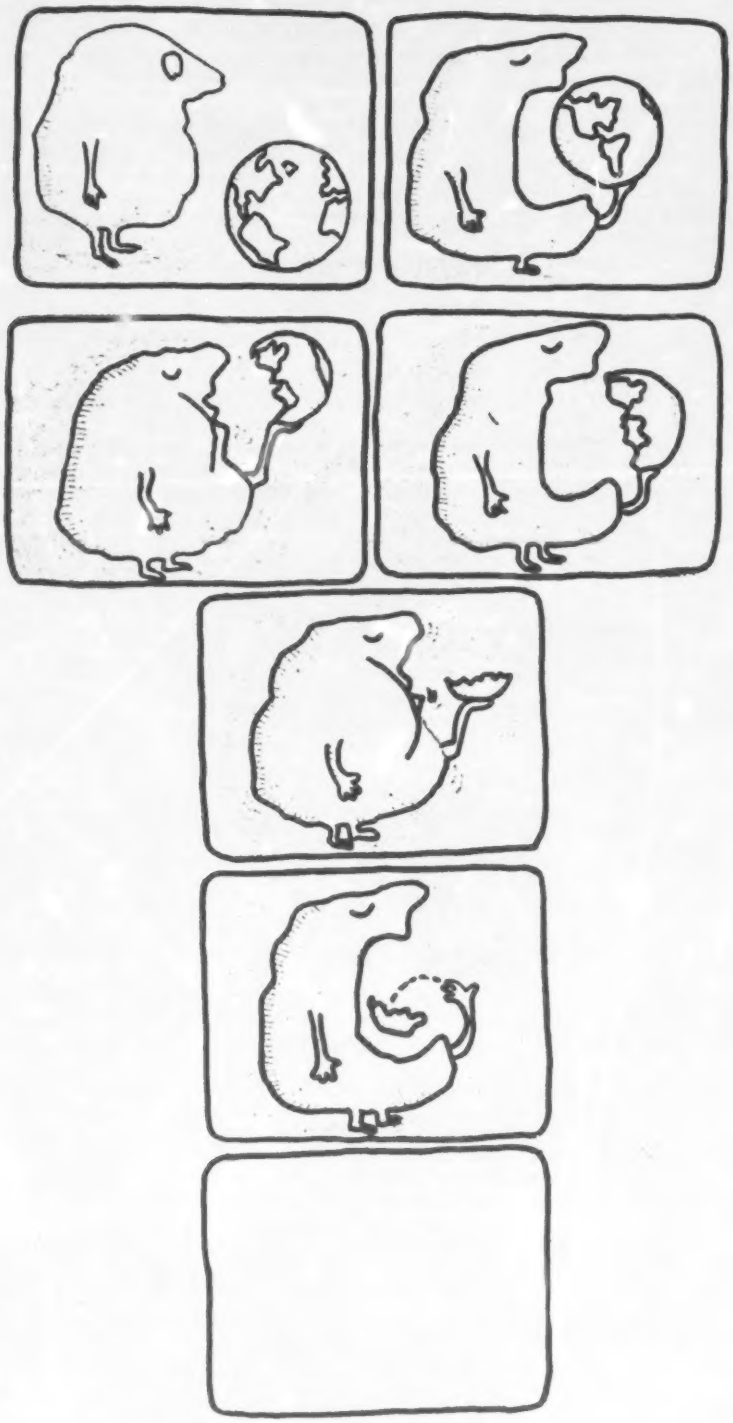
IN THE TEN YEAR PERIOD FROM 1960 TO 1970 THE POPULATION OF THE UNITED STATES INCREASED SOME 10%, BUT THERE WAS A 50% INCREASE IN THE USE OF ENERGY.

IF THIS RATE OF INCREASE IN ENERGY CONSUMPTION CONTINUES, THE UNITED STATES WILL REQUIRE 90% OF THE WORLD'S EXISTING ENERGY BY THE YEAR 2000.

AT THE SAME TIME ENERGY DEMAND IS INCREASING IN ALL PARTS OF THE WORLD.

Source of data: The Technological Society: Designing for the Future. Xerox Education Publications, Education Center, Columbus, Ohio. 43216.

OVERHEAD TRANSPARENCY #5



74

LEARNING ACTIVITIES:

1. Make a collage, a poster display, or a video-tape of the good life as portrayed in product advertisements. Have students explain their presentation.

2. The gross national product and per capita income for selected years are listed below:

YEAR	Total GNP in 1958 Dollars (Billions)	GNP Per Capita in 1958 Dollars (Thousands)
1929	204	1671
1933	142	1126
1945	355	2538
1958	447	2569
1972	793	3795
1973	839	3989

. How can we tell if Americans are better off?
. Construct a list of ten "better offs." They should be quality of life factors that can be measured, i.e.,
- People are "better off" alive than dead. (Life-expectancy data will confirm the truth.)
- People are "better off" healthy than sick.
- People are "better off" working than unemployed.
- People are "better off" literate. . .
Complete your own list.

Teacher:

. See - Moore, Ruth. Man in the Environment. New York. Alfred Knopf. 1974.
Senior Scholastic. January 16, 1975.
Social Indicators. Office of Management and Budget. 1973.
Time. "The Quality of Life in Your City." September 29, 1975.

3. Which solutions do you think are most desirable, which most practical to the questions raised in the play? Rank the options below as shown in the chart. Add options of your own.

(a) A change in people's values so that they will want fewer material things.
(b) Assuring all Americans useful employment and a minimum standard of living. Have a maximum income law to assure more even distribution of income.
(c) Letting the market system be guided by consumer decisions to allocate our resources.
(d) Increase the public investment in research and development to create the technology to develop more energy and resources.
(e) Have a voluntary program to emphasize product quality, resource thrift and recycling.
(f) Other

After considering the proposed solutions, rank each one in terms of its desirability from 1 to 6.

DESIRABLE	MOST PRACTICAL
1.	1.
2.	2.
3.	3.
4.	4.
5.	5.
6.	6.

[Note to the Teacher: This can be done by dividing the class into groups of 3 to 5. Each group should then post its list on the board and spokesman for each group could explain their rationale.]

4. Extract the question from the play that relate to each overhead transparency for class discussion.

5. Using the bibliography below plus the resources available to your school, have each student submit a written report presenting his position to Ronald Stoneman's next session with his advisory council in search of the Good Life.

BOOKS

Commoner, Barry. The Closing Circle - Nature, Man and Technology. New York. Knopf. 1971.

___. Science and Survival. New York. Viking Press. 1967. pa.

Ehrlich, Paul, and Ehrlich, A. H. The End of Affluence: A Blueprint for Your Future. New York. Ballantine Books. 1974. pa.

Galbraith, John Kenneth, ed. The New Industrial State, 2d rev. Boston. Houghton Mifflin. 1971.

Meadows, Donella H., and others. Project on the Limits To Growth: A Report for the Club of Rome's Predicament of Mankind. New York. Universe. 1972.

Nearing, Scott and Helen. Living The Good Life: How to Live Sanely and Simply in a Troubled World. New York. Schocken. 1970.

Packard, Vance. The Waste Makers. New York. David McKay Co., Inc. 1960.

PERIODICALS

Bulletin of the Atomic Scientist. "GNP Does Matter," by Joel Darmstadter. December 1971.

Business Review. "An Economic Solution to Pollution," by W. Lee Hoskias. September 1970.

The Christian Science Monitor. "Doomsday Prophet or Man with a Message? An Interview with Jay W. Forrester," by Richard Nenneman. August 7, 1971.

Current History. "A Look at National Priorities," by Kenneth Boulding. September 1970.

Newsweek. "America's Energy Crisis." January 22, 1973.

___. "Zero Growth," by Henry Wallich. January 24, 1972.

The New York Times Magazine. "Don't Knock the $2 Trillion Economy," by Peter Passell and Leonard Ross. March 5, 1972.

Science. "Man and His Environment," by Ansley S. Coale. Vol. 170. October 9, 1970. pp. 132-136.

Senior Scholastic. "Can You Adjust to Scarcity." February 27, 1975.

___. "Ford's Energy Program." March 13, 1975.

___. "The Search for the Quality of Life." January 16, 1975.

Time. "The Worst Is Yet to Be." January 24, 1972.

6. This strategy can be used as a summary activity. The procedure is as follows:

(a) student folds a sheet of scrap paper into nine equal parts
(b) then the parts are numbered

1	4	7
2	5	8
3	6	9

(c) The teacher then should read the nine episodes that follow to the students. Episodes may have to read more than once.
(d) The student ranks the episodes from greatest agreement to greatest disagreement by writing the code word from each episode in the appropriate numbered part of their paper.
(e) Place the nine numbers on the floor. Then students stand on the number that correspods to their ranking of the code word. On each episode let students explain their ranking. Encourage them to support their positions and think about the consequence of their position.

THE TEACHER SHOULD ACCEPT ALL POSITIONS. ENCOURAGE DEBATE AMONG THE STUDENTS AT AN INTELLECTUAL OR FEELING LEVEL. DISCOURAGE REJOINDERS SUCH AS, "THAT'S STUPID."

IF THIS STRATEGY WORKS BE PREPARED FOR A "HOT SESSION" WITH A GREAT DEAL OF INTENSE STUDENT INTERACTION.

This strategy can be used as an evaluation of this unit.

EPISODE #1

Ivan M. Market argues that frequent changes in styling and planned obsolescence are necessary for our economic well-being. That such a method will lead to a better and happier life for most people.

CODE WORD - STYLE CHANGES

EPISODE #2

Mary Minority states that a just society requires a fair distribution of wealth and income.

CODE WORD - FAIR DISTRIBUTION

EPISODE #3

"In the light of all the dire predictions about population explosions, pollution, and resource scarcity, one must be pessimistic about the future," said Paul Doomsday.

CODE WORD - PESSIMISTIC

EPISODE #4

One can be optimistic because mankind has come this far by being a problem solver. There have always been problems and men have always adapted and developed the technology to meet the problems.

CODE WORD - OPTIMISTIC

EPISODE #5

"In the light of the predictions of Doomsday an intelligent reaction is to prepare for personal survival. Each person should look after himself because when the going gets tough it will be a 'dog-eat-dog' world."

CODE WORD - PERSONAL SURVIVAL

EPISODE #6

Only by cooperating and sharing can the nation meets its economic challenges. There can be no personal solutions because we are all on the same spaceship earth. The individual can survive only if we all cooperate to solve the nation's problems.

CODE WORD - SPACESHIP EARTH

EPISODE #7

"One would be wise to discount the predictions of shortages, pollution, and collapse of industrial society. Things always work out and we don't know enough to justify altering a satisfactory way of life." Ronald Stoneman.

CODE WORD - THINGS ALWAYS WORK OUT

EPISODE #8

"The profit motive operating in response to consumer decisions because they determine how the nation produces the goods and services it needs, has played a large role in plunging the U.S. into the energy and environmental crisis." C. I. Union

CODE WORD - CONSUMER DECISIONS

EPISODE #9

Life can be altered drastically to create a stable, resource-thrifty America by 2000 A.D. All the citizens need is the information and they will adjust their behavior.

CODE WORD - RESOURCE-THRIFTY AMERICA

7. An action social studies project for the classroom: For the duration of this module have the student gather and sort scrap paper for producing the module's handout on the reverse sides. Turn off the classroom lights and rearrange the classroom to maximize the use of natural light. Have everyone dress warmer and cut the heat a few degrees.

   Discuss the following on student experience:

   (a) What were the "trade offs" in terms of resources saved vs. time and labor cost consumed in the savings efforts?
   (b) What kind of personal inconvenience and cooperation are required for this project?
   (c) If this conduct were the rule rather than the exception, could it be organized to make it more efficient?
   (d) What kind of incentives are required to make people resource-thrifty?
   - economic penalties and rewards
   - social recognition
   - education
   - explain any possible combination of the above